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THE CURRENCY QUESTION.

REPORT OF THE HERSCHELL COMMITTEE.

The text of the above Report, forwarded to the Government of India by the Secretary of State in June, is as follows :—

To

THE RIGHT HON'BLE THE EARL OF KIMBERLEY, K.G.,
Secretary of State for India.

INDIA OFFICE,
31*st May*, 1893.

STATEMENT OF THE QUESTION.

Question referred to the Committee.

1. The question referred to the Committee by Your Lordship is whether, having regard to the grave difficulties with which the Government of India are confronted through the heavy fall in the gold value of silver, it is expedient that Her Majesty's Government should allow them to carry into effect the proposals which they have made for stopping the free coinage of silver in India with a view to the introduction of a gold standard. And, if we are of opinion that there is no sufficient ground for overruling the Government of India, but that the measures by which they propose to attain their object require modification, we are asked to offer any suggestion that we think fit for the purpose.

Points to be considered.

2. The expediency of allowing the Government of India to carry into effect the proposals which they have made must depend on the view of the present and future situation of that Government as regards their revenue and expenditure, as well as upon a just estimate of the effect of a varying and possibly much lower exchange upon the commerce and people of India.

Financial difficulties of the Government of India.

3. There can be no doubt that the Government of I[illegible] have experienced serious difficulty owing to the fall of exchange which has been going on for many years. The Government have yearly to remit a very large sum to this country in discharge of their gold obligations. In 1873-74, before the fall commenced, the amount remitted was 13,285,678*l.*, which, at a rate of exchange of 1*s.* 10·351*d.*, was represented by Rx 14,265,700. During last year (1892-93) the amount remitted was 16,532,215*l.*, which the average rate of exchange in that year, *viz.*, 1*s.* 2·985*d.*, required a payment of Rx 26,478,415. If this could have been remitted at the exchange of 1873-74, it would have needed only Rx 17,751,920. The whole of this difference of Rx 8,726,495 cannot properly be regarded as a loss to the Government of India arising from the difference in exchange. It is certain, however, that India had actually to remit in 1892-93 upwards of Rx 8,700,000 more than if the exchange had been at its former point.

Increase in number of rupees needed to discharge gold obligations.

4. At an estimated exchange of 1*s.* 4*d.* per rupee for the past year, a surplus of revenue over expenditure was shown of Rx 146,600; the exchange having fallen to an average of rather less than 1*s.* 3*d.*, this surplus has been converted into an estimated deficit of Rx 1,081,900, notwithstanding the improvement of the revenue by Rx 1,653,300 over the Budget Estimate.

Consequent present deficit.

5. Nor is this all. The Government are compelled to contemplate a further fall, the effect of which cannot be forecast. There has been for some years past an almost continuous fall in exchange, though it was varied by a sharp rise in the year 1890. The average rate in 1889-90 was 1*s.* 4·566*d.* In 1890-91 the average rate was 1*s.* 6·089*d.* But in 1891-92 it fell to 1*s.* 4·733*d.*, in 1892-93 to 1*s.* 2·985*d.*, and exchange has been of late scarcely maintained at 1*s.* 2⅝*d.* by the refusal to sell bills on India below that rate. The extent to which the financial position of the Government of India is affected by exchange is emphasised in the following passages of the recently-published statement of Sir David Barbour :—

Prospect of further fall in exchange.

"The immediate cause of our financial difficulties, and the cause which, by comparison and for the time being, dwarfs all others, is the fall in the gold value of silver, which, as I have already shown, has added to the Indian expenditure in two years more than four crores of rupees. If that fall could be stayed and the rate of exchange with England fixed permanently at even its present low figure, the difficulty

Sir D. Barbour on the situation.

dealing with the present deficit would be comparatively light. The revenue continues to grow in a satisfactory manner; even under the influence of indifferent seasons and poor harvests, it has made fair progress. If we could feel assured that there would be no further fall in exchange, I have little doubt that increase of revenue, restriction and reduction of expenditure, with possibly some taxation of a temporary nature, would in a very short time re-establish equilibrium. A serious effort would no doubt be required in the first instance, but with a fixed rate of exchange we would have a definite task before us, and our measures could be regulated accordingly. But it unfortunately happens that, unless some settlement of the currency question is obtained, there is no prospect of even the most moderate degree of stability in the rate of exchange.

* * * * *

"Our financial position for the coming year is at the mercy of exchange and of those who have it in their power to affect in any way the price of silver. If we budget for the present deficit of Rx 1,595,100, and exchange rises one penny, we shall have a surplus; if it falls a penny, we shall have a deficit of more than three crores; if we impose taxation to the extent of one and a half crores of rupees, a turn of the wheel may require us to impose further taxation of not less magnitude; another turn, and we may find that no taxation at all was required. It will be obvious from what I have just said that what we have got to consider in making our arrangements for next year, is not so much the question of increasing the public revenue or restricting that portion of the public expenditure which is under our control, but the chances of a settlement of the currency question."

Value of Silver.

Recent production of silver.

6. The production of silver has largely increased of late years, as will be seen from the following table, based, as regards the earlier years, on the statistics compiled by Professor Soetbeer, and as to the more recent years, on the reports of the Director of the Mint in the United States:—

Average annual production of silver.	Kilos.	Approximate equivalent in ounces at 32·15 to the kilogramme.
1876 to 1880	2,450,252	78,776,000
1881 to 1885	2,812,903	90,435,000
1886 to 1890	3,459,201	111,213,000
1890	4,144,233	133,237,000
1891	4,493,100	144,453,000
1892	4,731,000 to 4,900,000	152,102,000 to 157,535,000

7. In the year 1878 what is known as "The Bland Act" was passed by the Legislature of the United States, which required the Government of that country to purchase not less than 24,000,000 and not more than 48,000,000 dollars' worth of silver per annum, which would be equal to a consumption varying from 20,625,000 to 41,250,000 ounces (641,000 to 1,283,000 kilos.) in the year. Under the authority of that Act the Government purchased yearly the minimum amount required. Notwithstanding these purchases, the price of silver fell from $52\frac{9}{16}d.$ per ounce, the average of 1878, to $43\frac{11}{16}d.$ in February 1890.

Bland Act in United States.

8. In that year what is known as "The Sherman Act" was passed by the United States Legislature, under which the duty was imposed on the Government of purchasing no less than 54,000,000 ounces (1,680,000 kilos.) a year in lieu of the amount required to be purchased under the Bland Act.

Sherman Act.

9. The effect of this obligation to purchase silver to the value of about six millions sterling beyond the purchases required under the earlier law, coupled probably with the anticipation that further legislation, and perhaps free coinage of silver, would follow, was a sudden and considerable rise in the value of silver, which culminated in the month of September 1890, when it reached the price of $54\frac{5}{8}d.$ per ounce. There was, however, a speedy decline from this price, and since July 1892 silver has realised not more than an average of $38\frac{1}{2}d.$ per ounce, the present price being $37\frac{11}{16}d.$

Rise in value of silver in 1890.

10. Even if the increased production is kept in view, it is not easy to understand why, with the increased purchasing by the United States to the amount of six millions sterling per annum, and the simultaneous large increase of the Indian imports of silver, which averaged from August 1890, when the Sherman Act came into force, to March 1893, upwards of 46,500,000 ounces, the price should be sixpence per ounce lower than it was in the beginning of 1890. It has, indeed, been argued that the recent fall in the price of silver was due to the blow which the passing of that Act gave to the hopes of those who desired the free coinage of silver. But against this it is to be observed that the price of silver in London rose during the time that the Sherman Act was passing through Congress, and continued to rise for some weeks after it became law. Whatever be the cause, the fact that, although the United States Government have under that Act made purchases varying from 34 to 42 per cent. of the estimated production of

Effect of American legislation and Indian imports on value.

ıe world, and India has increased and not diminished her ıports of the metal, the price of silver has fallen to its present ow level is beyond question and of grave moment.

Further fall in value of silver to be expected.

11. Supposing even that no change were made in the currency arrangements of the United States, the experience of the past would forbid the conclusion that the price of silver would be stationary at its present level. It would be imprudent to act on the assumption that no further fall is possible or even probable.

Brussels Conference.

12. The International Monetary Conference which recently assembled at Brussels has not led to any change in the situation, and, although it adjourned to a future day, that day is now past, and it seems uncertain whether there will be any further meeting.

Agitation in United States.

13. Moreover, a strong agitation exists in the United States with respect to the law now in force providing for the purchase of silver. Fears have been, and are, entertained that there may come to be a premium on gold, and strong pressure has been brought to bear upon the Government of that country with a view to bring about an alteration of that law.

Possible repeal of Sherman Act.

14. In December last a Bill was introduced in the Senate to repeal the Sherman Act, and another to suspend purchases under it. Whether any such measure will pass into law it is impossible to foretell, but it must be regarded as possible; and although in the light of past experience predictions on such a subject must be made with caution, it is certainly probable that the repeal of the Sherman Act would be followed by a heavy fall in the price of silver.

Increase in production notwithstanding fall in price.

15. Opinions differ as to the fall in price which would be effectual largely to check the production of silver. From time to time, as the price of silver has continued to fall, the opinion has been expressed that the point had been reached at which production must be checked. Experience has, however, falsified all these predictions. It is, of course, true that the fact that the working of a mine has become unprofitable does not ensure that the output shall be at once diminished or the mine closed. But if this state of things were long to continue, and owing to a progressive fall in the price of silver mining operations could only be carried out at an increasing loss, one would expect to find the working abandoned before any very long period had elapsed. It is, however, remarkable that a period of continually increasing fall in the price of silver

has been coincident with a large increase in the production of that metal. In the quinquennium 1876—1880, the annual average price of silver ranged from $54\frac{1}{16}d.$ to $51\frac{1}{4}d.$, the average for the quinquennium being $52\frac{3}{4}d.$ In the next quinquennium, 1880—1885, the range was from $52\frac{1}{16}d.$ to $48\frac{5}{8}d.$, the average for the quinquennium being $50\frac{5}{8}d.$, whilst from 1886 to 1890 the price ranged from $47\frac{1}{16}d.$ to $42\frac{1}{16}d.$, the average for the quinquennium being $44\frac{5}{8}d.$ And yet the annual average production of silver at the last quinquennium was 3,459,201 kilos. (111,213,000 ounces) as compared with 2,450,252 kilos. (78,776,000 ounces) in the quinquennium 1876—1880, being an increase of 41 per cent. And with an average price in 1891 of $45\frac{1}{16}d.$ and in 1892 of $39\frac{13}{16}d.$, or an average for the two years of $42\frac{7}{16}d.$, the production of 1891 has been estimated at 4,493,100 kilos. (144,453,000 ounces), and that of 1892 at 4,731,000 to 4,900,000 kilos. (152,102,000 to 157,535,000 ounces). This may show that, even at the present price, the production of silver is still profitable in a large proportion of the mines, and that in some it is sufficiently so to stimulate increased development, and that even a further fall would not necessarily diminish the total output. The phenomena may, indeed, be partly accounted for by the circumstance pointed out in the Report of the Gold and Silver Commission, that investments in the mines of precious metals are largely of a speculative character, and that many such mines may be opened out and worked for a considerable time at a loss in the hope that such rich deposits of the ore will be found, or that altered circumstances may so change the value of the metal that great gains will be reaped in the future.

Effect of further fall on remittances of Government of India.

16. A review of the changes in the price and production of silver which have characterised the last 12 years certainly forbids our entertaining any confidence that, if a further heavy fall in the price of silver were to take place, it would be at any point capable of estimation checked or counteracted by diminished production. It must be remembered, as pointed out by the Gold and Silver Commission, that the effect of throwing a large quantity of silver upon the silver market is not to be measured by the proportion which that quantity bears to the whole stock of silver in the world, but by the proportion which it bears to the stock of silver in the world after deducting from that stock the very large amount of silver money now kept in circulation by countries which have a silver token currency, since all of this money circulates at an artificial value, and none of it is subject to the fluctuations of the market. It cannot be regarded then as otherwise than within the reasonable bounds of possibility that a repeal of the Sherman Act might lead to a fall in the price of silver of even 6*d.* per ounce or more, and that there might be no substantial reaction from the level

thus reached. Such a fall would, it may be said with practical certainty, reduce the exchange to about 1*s.* 0*d.* per rupee, and involve the necessity of raising at least Rx 6,612,000 more than would be required by the Government of India to effect, even at the rate of exchange of 1*s.* 3*d.* per rupee, a remittance of the amount drawn last year, namely, 16,530,000*l.*, while the payment of 19,370,000*l.*, which is the present estimate of the drawings for 1893-94, would, at 1*s.* 3*d.* per rupee, require Rx 30,992,000 and at 1*s.* 0*d.* per rupee Rx 38,740,000, involving an increase of Rx 7,748,000.

Claims of Indian Officials.

Servants of Government.

17. The difficulties which the Indian Government have in meeting the Home charges are aggravated by the fact that the fall in exchange has led to claims on the part of their officers, civil and military, who receive salaries in rupees, to some compensation for the loss which they sustain owing to the fall in exchange. Many of those officials are under the necessity of remitting a considerable portion of their income to this country for the support of their families and the education of their children. It has been said that prices have fallen in this country during the last 15 years, and that a smaller sterling remittance will now purchase more than formerly. This is no doubt to some extent true, but it does not apply to all prices. It is a matter of dispute how far the fall of prices in this country compensates for the smaller sterling remittance which the same number of rupees will procure; but it is certain that, when due allowance has been made for this, the purchasing power of the incomes of Indian officials has been largely reduced.

Practice of private employers.

18. It appears that some European employers have felt themselves bound to make an allowance to the Europeans in their service in India sufficient to counterbalance to some extent the loss which they experience owing to the fall of the rupee; and there can be little doubt that even in existing circumstances, and still more if the fall of exchange continues, the Government of India cannot turn a deaf ear to the appeals of their servants for similar treatment without the danger of engendering serious discontent, apart from the question whether such appeals are just and reasonable.

Expansion of Revenue.

Expansion of revenue hitherto.

19. Hitherto the expansion of the revenue has largely provided for the additional calls which the fall of exchange has made on the Government of India. There has been, in spite of these additional calls, an average surplus

during the last 10 years of Rx 261,550. It is true that, but for the expenditure rendered necessary by the fall in exchange, there might have been further remissions of taxation, and more might profitably have been spent upon public works. Though upon the whole the Government have not been compelled to impose increased taxation in order to discharge their liabilities whilst the fall in exchange has been in progress, certain alterations have been made in the taxation of the country—some in the direction of remission, others of an increase—with the net result that the amount of the increase has not greatly exceeded the amount of the remission. But it is noteworthy that, whilst the remissions were all prior to 1882, the increased taxation has, for the most part, been imposed since that date. The addition to the salt tax, which was the principal source of increased revenue, produced a sum of Rx 1,725,000.

Cannot be relied upon to meet future deficiencies.

20. In the past year the fall in exchange of about one penny has added Rx 1,635,300 to the expenditure with the result of an expected deficit of Rx 1,081,900 instead of the anticipated surplus; and the rate in 1893-94 being estimated at 1*s.* 2¾*d.* per rupee, an addition of Rx 2,229,400 is caused to the expenditure beyond the charge for exchange entered in the Budget of March 1892. If a further heavy fall in exchange were to take place, it is impossible to expect that a financial equilibrium would be brought about by an expansion of the revenue alone.

Effect of fall in Exchange on the People of India and its Commerce.

Effect on fall in Exchange on the people of India.

21. Before considering how the Government of India can meet the difficulties which they experience, and which they feel compelled to anticipate, it will be well to enquire what effect the variations in exchange to which attention has been called have produced upon the commerce of India and the prosperity and condition of its people.

Effect on the remittance of produce.

22. In estimating the effect upon the people of India of its being necessary to raise an increased number of rupees to meet the sterling remittances of the Government of that country, it must be borne in mind that the extent of the burthen imposed upon the people of India by these remittances is measured by the quantity of produce which they represent, for it is by the export of the produce that the debt is in reality discharged. In so far as the necessity of exporting more produce arises from the circumstance that gold prices are lower, the people of India are in the same position as those of Australia or any other country which has to export produce for the purpose of paying

the interest on its gold debt. The question to be considered is, what effect has the fall in exchange upon the amount of produce which must be exported to meet a given gold liability? To determine this the gold price of the produce must be assumed to be stationary. When silver falls in relation to gold, the greater number of rupees which is required to meet a given gold payment will not represent a greater quantity of produce than before if the silver price in India of the produce exported responds to the changed value of silver in relation to gold, *i. e.*, if it has risen or has been prevented from falling. Silver prices must ultimately thus respond, although an interval may elapse before the correspondence is complete; and during this time, whilst more produce is exported, the Indian ryot is getting proportionately less in silver for his produce. It has, indeed, been alleged that the fall in the gold price of certain Indian products is to be attributed to the fall in the value of the rupee, but this allegation is strongly controverted; and, having regard to the phenomena presented in the case of Indian products not greatly open to competition, and to the necessary effect of competition in the case of those which are within the sphere of its influence, it seems far from clear that the fall in the gold price of Indian products would have been materially less if the exchange had not fallen.

Transfer of burdens from one class to another.

23. Even if the burden upon the people of India as a whole has not been increased by the fall in exchange, there can be no doubt that it has been to some extent shifted from one class to another. The burden of those who pay fixed land revenue under a permanent settlement has been lightened, and the same may be said of all those whose land revenue has not been re-settled in recent years, or re-settled with adjustment to meet the most recent conditions. On the other hand, the increased salt tax presses upon the people at large, and renders more heavy the taxation of those who, for the most part, have suffered rather than benefited from the higher rupee prices due to the fall in the gold value of silver.

Effect on commerce.

24. We pass now to consider the manner in which the commerce of India is alleged to have been injuriously affected by the variations in exchange.

Harassment of trade by fluctuations.

25. It is said that legitimate trade is replaced by mere speculation and gambling. There seems to be a common agreement amongst those who differ in their views upon almost all other points that trade is seriously harassed by these fluctuations, though the estimates do not all agree as to

the character and the extent of the inconvenience arising from this cause. It does not appear to be certain, even in the view of those who are most strongly sensible of the mischievous effect of fluctuations of exchange, that the volume of trade over a series of years has been diminished from this cause, though there seems a common agreement that any sudden or violent fluctuation almost paralyses business for a time. It is to be observed that it is not so much the fall of exchange which is complained of as the fluctuations, whether in one direction or the other. Some of those who admit the mischief to trade of exchange fluctuations allege that the extent of the mischief is not serious, since provision can be largely made against the effect of those fluctuations through the medium of banks; but it is clear that the traders cannot completely safeguard themselves in this way, and that such security as they obtain in this respect must be paid for. It must be remembered that before the fall in the price of silver began and the fluctuations in the rate of exchange dependent upon it, the rates of exchange varied very considerably during particular years, though, no doubt, the fluctuations have been much more frequent and considerable since that time.

Fluctuations add to the risks of trade.

26. Upon the whole, it cannot be doubted that it would be well if commerce were free from the inconveniences of fluctuations which arise from a change in the relation between the standard of value in India and in countries with which her commerce is transacted. It must not be assumed that the adoption of the same standard for the United Kingdom and India would remove all the disquieting ...es of the disturbance of trade of which complaint is made. If ...e commodity which lies behind the exchange transaction is one ...hat continues to fall in relation to gold, the risk which arises from bargains in a falling market will still be present. The liability of the standard of the one country to fall in relation to the other causes, however, an additional risk, and consequently increased disturbance to trade.

Alleged stimulation of exports by fall in exchange.

27. It is said that the tendency of a falling exchange is to stimulate exports; that, inasmuch as more silver, *i. e.*, a higher silver price, is received in respect of the same gold price, whilst wages and the other factors in the cost of production do not increase in the same proportion, production becomes more profitable, and is therefore stimulated. Assuming this to be true, the effect of each successive fall must be transitory, and can continue only until circumstances have brought about the inevitable adjustment. Although one may be inclined, regarding the matter theoretically, to accept the proposition that the suggested stimulus would be the result of a falling exchange, an

examination of the statistics of exported produce does not appear to afford any substantial foundation for the view that in practice this stimulus, assuming it to have existed, has had any prevailing effect on the course of trade; on the contrary, the progress of the export trade has been less with a rapidly falling than with a steady exchange. For example, from 1871-72 to 1876-77 the gold value of the rupee fell constantly from 23·126*d.* to 20·508*d.*, or about 11¼ per cent.; the exports of merchandise were actually less in the latter year than in the former, although in 1876-77 their rupee value exceeded by about 10 per cent. that of the exports of either 1870-71 or 1872-73. From 1878-79 to 1884-85 exchange was fairly steady, the average rates varying only between 19·961*d.* and 19·308*d.* per rupee, or about 3¼ per cent.; and during those six years the exports rose by no less than 36½ per cent. Again, between 1884-85 and 1888-89 the fall of the rupee was very rapid, from 19·308*d.* to 16·379*d.*, or over 15 per cent., and the exports increased during those four years by 16⅓ per cent.; but in the single year 1889-90, when there was a slight improvement in the exchange, the exports increased by more than 6⅓ per cent. It is said, too, that, whilst a falling exchange tends to stimulate exports, there is a corresponding tendency to check imports. Here again statistics do not seem to show that diminished imports have been coincident with a lower exchange. Taking the same periods as before, from 1871-72 to 1876-77, when exchange fell 11¼ per cent., imports of merchandise into India increased by 17 per cent.; from 1878-79 to 1884-85, when exchange was steady, the increase of imports exceeded 47 per cent.; between 1884-85 and 1888-89, when the rupee fell about 15 per cent., the imports were augmented by nearly 25 per cent.; while in 1889-90, when exchange slightly rose, the imports were rather less than in the previous year. Upon the whole, we cannot see any evidence that the effect of a falling exchange on the country at large in influencing either exports or imports has over a series of years been very considerable. Some trains of *a priori* reasoning would seem to lead to the same conclusions, and also to the further conclusion that, even if a fall in the gold value of the rupee does stimulate exports, the result is not necessarily to the benefit of India as a whole, though it may temporarily benefit the employer at the expense of the wage-earner, because wages rise more slowly than prices.

Check to investments in India.

28. The want of a stable exchange between England and India, and the fact that it has fallen so heavily, has, it is alleged, greatly checked the investment of British capital in India and the development of the country which would have been the fruit of such investments. London is the leading market, and London thinks in gold. London is ready enough to lend upon contracts for repayment in gold, but hesitates to enter

upon silver transactions, or to engage in industrial enterprises in the silver country. There can be no doubt that uncertainty as to the interest which would be received for the investment, and as to the diminution which the invested capital might suffer if it were desired to retransfer it to this country, tends to check British investments in India. This is a real evil, the importance of which we do not desire to underrate. It has been pointed out, however, that a great number of industrial enterprises have been established in India during recent years, such as collieries, cotton mills, jute mills, woollen mills, and paper mills, in which much capital has been invested ; and that large sums have been spent upon tea plantations is evidenced by the enormous increase in the quantity of tea grown in and exported from India. And it must be remembered that the adoption by India of the same standard which exists in England might not remove all obstacles to the investment of capital in that country. Capitalists have of late been slow to invest in many kinds of industrial enterprise owing to the fact that prices are falling, or have fallen very generally. If a gold standard were adopted for India, and similar phenomena of falling prices ensued there, capitalists might still be unwilling to provide capital for industrial enterprises. In connection with the point under discussion, it may be well to observe that a falling exchange, owing to its effects upon their salaries, savings, and pensions, renders it more difficult to procure and arrange for the services of the European employés required for the carrying on of industrial undertakings in India.

Attraction of open mints for depreciating silver.

29. There is another point which ought not to be passed over in silence. It is said that by making silver the standard, and keeping the Indian mints open to silver, the Anglo-Indian Government have attracted to India that depreciating metal, and have thus made India purchase, at a comparatively high cost an enormous quantity of it, which is now of less value than when it was bought. In this there is some truth, but also much exaggeration. There can be no doubt that an open mint in India offers a market into which silver could be continuously poured without regard to the currency requirements of India until such an alteration in prices of commodities was brought about as to make its importation no longer profitable. It is only when and so far as the opening of the mints to silver has led to the importation and coinage or hoarding of useless and now depreciating silver that the free coinage of silver can be considered to have inflicted a loss upon India. What this loss amounts to we cannot determine, but we are not without indications that India is becoming surfeited with silver.

30. The net imports of silver into India in the 23 years, from 1870-71 to 1892-93, have been Rx 165,226,000, or an average of Rx 7,184,000 a year, and the coinage demands have amounted to upwards of Rx 6,500,000 annually, so that we may infer that nearly the whole of the newly-imported silver has during these years passed through the mint. Since 1877-78 the net yearly imports ranged from about 4 to 11 millions Rx; but in 1890-91 there was an abnormal rise to more than 14 millions. Much of this silver appears to have remained in the Currency Department, causing at the same time a great and sudden inflation of the paper currency. Between March and December 1890 the note issue increased from about 15¾ crores of rupees to 27 crores, an increase of 71 per cent. The inflation was yet further aggravated, and at the end of August 1892 the notes issued stood at more than 29 crores; but, according to recent returns, there has been some contraction, and the amount in circulation is now about 26 crores. With this sudden expansion of the issue of notes a corresponding increase in the silver coin and bullion reserve took place, *viz.*, from Rx 9,771,782 at the end of March 1890 to Rx 21,440,022 at the end of January 1891, an addition of more than 11½ crores of rupees. It deserves notice in connection with this subject that throughout 1892 the import of gold not only ceased to be in excess of the exports, but the current was reversed. During the five years ending with March 1890 the average net import was about Rx 3,000,000. In 1890-91 it was Rx 5,636,172, in 1891-92 it was Rx 2,413,792, whilst in 1892-93 the net import ceased, and the excess of exports was upwards of Rx 2,800,000.

Recent imports and coinage of silver.

Export of gold.

31. Down to a comparatively late date it was generally believed that, notwithstanding a fall in the gold value of silver, prices in India had been practically unaltered; but the evidence before us points to the conclusion that during recent years the silver price of Indian produce has risen. If, as experience shows, wages respond more slowly to the alteration in the value of the standard, this rise in the price of produce must have been prejudicial to the wage-earning classes.

Prices in India seem to be rising.

32. The above facts give reasons for believing that the recent fall in silver, coupled with the open mint, has led India to import and coin more silver than she needs, and the worst of the evil is that it is a growing one. Every unnecessary ounce of silver which has been, or is being, imported into India is a loss to India so long as silver is depre-

Import of useless silver injurious to India.

ciating in gold value; for it is, *ex hypothesi*, not needed for present use, and it can be parted with at a sacrifice. So far as the open mints attract unnecessary silver to India, they are inflicting a loss upon the people of the country, and benefiting the silver-producing countries at the cost of India.

Effects if fall should continue.

33. So far we have dealt only with the past. We have now to consider the effect to be anticipated from a continued, and not improbably heavy, fall in the exchange between India and England.

Existing evils would be intensified, and increase of taxation become necessary.

34. All the evils to which attention has been called would, of course, be aggravated and intensified. If prices continue to rise, while wages were more slowly advanced, the material condition of the wage-earning class would be continually deteriorating. As respects the Government, we have already pointed out that, if no change be made in the currency arrangements of the country, and a heavy fall were to take place, such as we have referred to as possible, they would, unless they could largely reduce their expenditure, be compelled, in order to meet the increased demands upon them, to impose increased taxation to a very serious extent. It has been suggested that economy in the civil and military administration of India is still possible—a point which does not fall within the scope of our enquiry; but, even assuming that the expenditure of the Indian Government might without impairing efficiency of administration be diminished, it cannot be supposed that this could be done suddenly to a very great extent, so as to meet the anticipated difficulty. The net expenditure of the Government of India is about Rx 50,000,000. Supposing the deficiency which had to be met should be from Rx 8,000,000 to Rx 10,000,000, it is not conceivable that an equilibrium could be brought about by reducing the expenditure. When we pass to consider whether the revenue required to meet the deficiency might be raised by increased taxation, we encounter at once a position of great delicacy. There is no doubt that in several directions increased taxation is possible, but the difficulties connected with it are grave, and its political danger is said to be a matter of serious moment.

Possibility of increasing taxation.

Existing taxes. Land revenue.

35. Inasmuch as the Indian producer has so far benefited by the fall in exchange that he has received a higher silver price for his produce than would otherwise have been the case, and the burden of the land revenue he has to pay has thus become less, it would be natural to seek in an

increase of the land revenue a large contribution towards the deficiency. Nearly one-fourth of the land revenue is, however, permanently settled. Of the remainder the greater part is fixed on assessments for 30 years, most of which are of recent date. It is impracticable, therefore, to derive from this source the revenue required.

Salt tax.

36. An increase of the salt tax has been before now resorted to for the purpose of obtaining additional revenue. But the objections to this tax have long been recognised. It is in the nature of a poll-tax which falls on all classes, but presses most heavily on the very poor. It is true that the price of salt has been reduced in recent years, but the tax is now about 600 per cent. *ad valorem*, and any increase would chiefly affect those who have suffered rather than benefited by the fall in exchange. It has been strongly pressed upon us, too, that it is the main reserve of taxation in case of war or any other emergency, and that it ought not to be exhausted in order to meet the present difficulty. Even an addition of 20 per cent. to the existing tax would not yield more than from Rx 1,500,000 to Rx 1,750,000.

Stamp duties.

37. An addition to the stamp duties is deprecated on the ground that they are largely a tax on the administration of justice, and that it would not be right materially to augment taxation of this description.

Excise.

38. Doubts are entertained, and probably with reason, whether it would be possible to raise a largely increased revenue by means of excise. It is said that it would stimulate illicit practices, and any attempt to augment the excise revenue would be attacked, as calculated to increase drinking and to promote intemperance.

Import duties.

39. Of all the suggested methods of adding to the revenue, the reimposition of import duties would, according to the evidence before us, excite the least opposition; indeed, it is said that it would even be popular. The duties on cotton goods have, however, only recently been abolished. They were the subject of vehement attack in this country. Any attempt to reimpose them would meet with great opposition. And it cannot be denied that the reimposition of such duties would provoke a demand for a countervailing excise upon all cotton goods manufactured in India. Although such an excise duty might be collected without serious difficulty in respect of goods manufactured in the cotton mills of Bombay and elsewhere, it is alleged that it would be

wholly impracticable to enforce it generally in view of the extent to which the manufacture of cotton goods on a small scale prevails throughout India.

Export duties.

40. The arguments urged against the reimposition of export duties are strong and sound in principle. The only duty of that description now in force is imposed on the export of rice. Any increase of it is said to be impracticable in view of the competition of other countries; the desire of the Government of India to abolish it has been often expressed; and it is even doubtful whether the existing duty can be maintained.

Income tax.

41. If the income tax were raised to twice its present rate it would probably produce about Rx 1,500,000 more than it now does. The minimum income liable to the tax is Rs. 500. An increase in the rate would produce very great discontent amongst those who are capable of appreciating and criticising the actions of the Government, and of promoting agitation when they are prejudicially affected. It must be borne in mind, too, that the class which suffers most from the fall in exchange would be most affected by an increased income tax.

New taxes.

Sugar and tobacco.

42. We have passed in review the means of taxation which have been, or are now, in use in India. It remains to consider the new sources of taxation which have been suggested. The only articles so largely consumed that taxation of them would afford the prospect of any great augmentation of the revenue are tobacco and sugar. These are grown very generally throughout India in small quantities. To procure a revenue from them by means of taxation would involve constant and vexatious interference with the people, and the cost of collecting and enforcing the tax would be enormous in proportion to the sum realised. Those who have given evidence on this subject, and who entertain the gravest objections to an increase of the salt tax, are nevertheless of opinion that with all its evils this would be preferable to an attempt to raise a revenue by a taxation of sugar or tobacco.

Succession duty.

43. Although it is recognised that there is much to be said in principle in favour of imposing a succession duty, the difficulties connected with its imposition are enhanced in India by the many different laws which regulate succession, and by the extent to which the family system affects the distribution of property in case of death. This has hitherto stood in the way of its introduction, and it would take a long time to develop any practical scheme; moreover, whether it would be found possible

to add largely to the revenue by means of it must be matter of speculation. For these reasons it could not be adopted in order to meet the present emergency.

Conclusions as to increase of taxation.

44. We are not in a position to determine whether the apprehensions expressed to us that increased taxation cannot be resorted to without grave mischief are to the full extent well founded, or whether they are exaggerated. But it is not easy to see how the burden of the added taxation which would be requisite to counterbalance the fall in exchange could be made to rest on those who might with the most justice be subjected to it, or how the added revenue could be provided except in a manner opposed to sound principles of taxation. Even if it be thought that the political dangers anticipated are the offspring of somewhat exaggerated fears, it is at least possible that they may be under-estimated. Representations that a great increase of taxation was due to what has been erroneously called the "tribute" paid to this country would add sensibly to the danger, and afford an inviting theme for agitators. It is of importance to recognise the fact that the public revenues of India as of most Asiatic countries, largely consist of elements of income which have not the character of taxation as that term is used in Western Europe, and that it has been through the natural growth of these revenues that the increased expenditure of recent years has been met to a considerable extent.

Possibility of reducing expenditure.

Possibility of reducing expenditure.

45. We have in the foregoing paragraphs indicated the results of the evidence which has been placed before us upon the question whether the deficiency caused by exchange may be met by increase of taxation. There is, as has been already pointed out, another way in which a deficiency may be met, *viz.*, by reduction of expenditure. We are quite alive to the importance of this resource, and to the expediency of urging economy in every practicable way, more especially as there is no such pressure brought to bear on the Government of India as that to which the Chancellor of the Exchequer in this country is subjected by the representatives of the taxpayers. But, difficult as it is for us to form an opinion on the possibility of raising additional revenue, it is still more difficult to estimate the possibility of reducing expenditure. In order to do so, it would be necessary to enter upon an examination of the policy and action of the Government of India both in military and civil matters—a task which is beyond our province. Experience, however, shows, as regards military expenditure, that it is at all times difficult to resist its growth, and that

occasionally the circumstances which call for it are beyond the control of any Government; while, as regards civil expenditure, advancing civilisation brings with it constantly increasing demands for Government action and enterprise—demands which are not the less urgent when, as is the case in India, they must originate with the Government rather than, as in Europe, with the people. Although, therefore, we feel strongly the necessity for the utmost care in restricting expenditure, we are certainly not in a position to conclude that any economies are possible which would enable the Indian Government to meet successfully the great and growing deficit caused by falling exchange.

Possibility of reducing deficit by charging more expenditure to capital.

46. It has been suggested that the Government of India might with propriety charge more of its public works expenditure to capital and thereby reduce the deficit shown in the Revenue Account. On this point we can only say that the Government of India have for a long time acted on the sound principle of charging to capital only such outlay as is incurred for productive works, and that a policy of allowing unproductive expenditure to be so charged is obviously open to serious question.

Proposals of the Government of India.

Proposals of the Government of India. Despatch of 21st June 1892.

47. We have said enough to show that the situation is a very critical one, and the proposals of the Government of India are entitled to the most careful and anxious consideration. We proceed to state the nature of those proposals. In a despatch of the 21st of June 1892, the Government of India expressed their deliberate opinion that, if it became clear that the Brussels Conference was unlikely to arrive at a satisfactory conclusion, and if a direct agreement between India and the United States were found to be unattainable, the Government of India should at once close their mints to the free coinage of silver, and make arrangements for the introduction of a gold standard. The Government forwarded as an enclosure in this despatch a Minute by Sir David Barbour, the Financial Member of Council, giving an outline of the method he proposed for the introduction of a gold standard into India, if such a measure should become necessary. The nature of the plan will appear from the following extract from that Minute:—

Sir D. Barbour's Minute.

"6. The only measures for the introduction of a gold standard into India which seem to me feasible are the following:—

"(1) The first measure would be the stoppage of the free coinage of silver. Government would retain the right of purchasing silver and coining it into rupees.

"(2) The next measure would be to open the mints to the free coinage of gold. Any man bringing gold to the mints would be entitled to have it coined into gold coins, which would be legal tender to any amount. It would be desirable to stop the free coinage of silver some time before opening the mints to the free coinage of gold. It would be a valuable guide to us in subsequent proceedings to know exactly what effect the stoppage of the free coinage of silver had on the gold value of the rupee.

"The new gold coins might be a 10-rupee piece and a 20-rupee piece.

"7. The weight and fineness of the gold coins to be issued from the mint would be such that the par of exchange between them and the sovereign would be the exchange which it was desired to establish between India and England.

"For example, if we wished the rupee to be worth 1*s.* 4*d.*, the 10-rupee coin would contain as much gold as was worth (1*s.* 4*d.*) × 10=160 pence. The quantity of fine gold in the 10-rupee piece would be $\frac{160}{240}$ths or two-thirds of the quantity contained in the sovereign.

"8. The question of the ratio at which we should exchange from the silver to the gold standard would require careful consideration.

"We ought not to think of going back to the old ratio of 1 to 15½. Neither ought we to adopt the very lowest price to which silver may have fallen at any time, or to consider ourselves bound to accept the market ratio of the very moment at which the change was made. A ratio based on the average price of silver during a limited period before the introduction of the gold standard would probably be both the safest and the most equitable."

Telegram of 22nd January 1893.

48. In a telegram of the 22nd of January 1893, the Government made this further statement regarding their proposals:—

"We propose to take power to declare by notification that English gold coinage shall be legal tender in India at a rate of not less than 13⅓ rupees for one sovereign, and we have provided for that in the draft Bill. We think that an interval of time, the length of which cannot be determined beforehand, should elapse between closure of the mints and any attempt to coin gold here. The power to admit sovereigns as legal tender might be of use as an *ad interim* measure, and need not be used except in case of necessity."

Draft Bill.

49. A copy of the draft Bill for the purpose of stopping free coinage was afterwards forwarded. It proposed to repeal the free coinage provisions of previous legislation, and to enact that the Governor-General in Council might, by order notified in the *Gazette of India*, declare that any gold coins, which were for the time being a legal tender in England, should be a legal tender in India in payment or on account at such rate, not being less than 13⅓ rupees for one sovereign, *i. e.*, at the rate of 1*s.* 6*d.* per rupee, and so for any greater or smaller coin, as should be fixed in such order, and might in like manner cancel or vary such orders.

50. In the Minute of Sir David Barbour forwarded by the Government of India, to which reference has already been made, the arguments in support of the proposals are stated. He observes that, although it is proposed to stop the free coinage of silver and to establish a gold standard, it is no part of the plan to substitute gold for silver as the ordinary currency of the country. It is contemplated that in the vast majority of Indian transactions silver would still be used as the medium of exchange. He refers to the example of France and other nations as showing that it is possible to have a gold standard, though a large percentage of the circulation consists of over-valued silver coins, which are legal tender to any amount. He concedes that, in order that the gold standard may be effective, a limit must be placed on the number of such coins, and they must be convertible into gold coins, either without payment of premium or on payment of a trifling premium, whenever any person wishes for gold coins in exchange for silver coins. Gold coins would only be required in exchange for silver when they were wanted for hoarding or export, or for melting down into ornaments. It is pointed out that one mode in which the scheme might be carried out would be by adopting measures for accumulating a store of gold, and, when sufficient had been obtained, opening the mints to the free coinage of gold coins, that metal being then made legal tender, and the exchangeability of silver for gold coins, according to their face value, guaranteed by means of the accumulated stock of gold. This, it is said, would be an expensive plan, and there would be a great risk of the whole stock of gold being drained away in exchange for silver rupees. Sir David Barbour, therefore, does not recommend this plan, but the measures which appear to him feasible are those described in the passage from his Minute already quoted. It is said that under the proposed scheme, if the Government treasuries were required to give gold coins for silver, whenever it was possible for them to do so, there could not be any considerable premium on gold coins so long as there were any in the public treasuries or in the Paper Currency reserve, and the gold standard would be effectively maintained. After the proposed measures had been carried out, it might happen that no gold was brought to the mints to be coined and to be put into circulation, and that the rupee fell in value below 1*s.* 4*d.*,—supposing that to have been the ratio fixed,—or it might happen that, though gold was brought to the mints for a time and the rupee was worth 1*s.* 4*d.*, yet subsequently gold ceased to be brought to the mints, gold coins ceased to be found in circulation, and the rupee fell below 1*s.* 4*d.* In either case it would be a sign that the rupee was redundant, or, in other words, that there were too many silver rupees in circulation, and consequently their value had fallen

Sir D. Barbour's arguments in support of the proposals.

below sixteen pence each, and that the gold standard was no longer effectively maintained. The remedy in such a case, it is said, would be to contract the rupee currency, and to adopt any feasible measures for improving the general financial position of the country. Such an improvement would give increased confidence, and the reduction of the rupee currency, if carried far enough, must ultimately restore the value of that coin. The greatest danger, it is said, would arise immediately after the first introduction of the gold standard, and would be brought about by silver rupees being, as they certainly would be, returned to India from foreign countries, and by their being thrown into the active circulation from Indian hoards. It is thought, however, that the existing hoards in India would practically remain unaffected. The reduction of the rupee currency, it is said, might or might not prove a very expensive measure. It could be spread over a number of years, and, until it had been carried out to a sufficient extent, the gold standard would not be effectively maintained. Of course, while the reduction of the rupee currency was in progress, there would not be an effective gold standard; but even during that period of uncertainty it might be expected that the exchange with England would remain much steadier than it had been during the last few years.

Effect of the proposals.

Substance of the proposals.

51. We proceed now to consider the proposal of the Government of India to close the mints, in the first instance, without adopting a gold standard, but coupled with the provision that the Indian Government should have the power of declaring English gold coins to be legal tender in India at a rate to be fixed by proclamation, such that the value of the rupee so fixed shall not exceed 1*s.* 6*d.*

Effect of closing the mints on uncoined silver.

52. Let us consider what would be the immediate effect of these proposals. First, then, as to their effect on the gold value of uncoined silver, and on the future relation of uncoined silver to the coined rupee.

53. Minting of silver would for the time be at an end, and this use of, or demand for, uncoined silver would cease to exist. What has been the use or demand? and what would it be likely to be in the future? Some notion may be formed on this point by examining the quantity of rupees coined in the last few years and of silver deposited in the currency reserves against the issue of notes.

Amount of new coinage in India in recent years.

54. The average amount of the new coinage in India has been as follows :—

	Rx
1870-71 to 1874-75 (annual average)	2,931,282
1875-76 „ 1879-80 „ „	8,493,881
1880-81 „ 1884-85 „ „	4,480,408
1885-86 „ 1889-90 „ „	8,310,788
1890-91 ... (one year)	13,163,474
1891-92 ... „ „	5,553,970
1892-93 ... „ „	12,705,210
Yearly average, 1870-71 to 1892-93	6,630,628
„ „ 1875-76 „ 1892-93	7,658,223

Silver bullion in Paper Currency reserve.

55. The annual average of silver bullion in the Paper Currency reserve has been as follows :—

	Rx
1870-71 to 1874-75 (annual average)	1,468,771
1875-76 „ 1879-80 „ „	1,319,060
1880-81 „ 1884-85 „ „	756,894
1885-86 „ 1889-90 „ „	1,019,828
1890-91 ... (one year)	747,974
On the 31st of March 1892 it was	1,775,569
The average for the 22 years being	1,152,105

Total demand of India for currency purposes.

56. Looking to these figures, it will be seen that the absorption by India of silver for currency purposes since 1875 has averaged more than Rx 7,700,000 a year. The coinage from 1885-86 to 1892-93 was Rx 72,976,594, making an annual average of about Rx 9,122,000. This is equivalent to 34,200,000 ounces of silver.

Imports of silver into India.

57. The net imports of silver into India have been as follows :—

	Rx
1870-71 to 1874-75 (annual average)	3,063,082
1875-76 „ 1879-80 „ „	7,054,200
1880-81 „ 1884-85 „ „	6,080,527
1885-86 „ 1889-90 „ „	9,635,134
1890-91 ... (one year)	14,175,136
1891-92 ... „ „	9,022,184
1892-93 ... „ „	12,863,569
Yearly average, 1870-71 to 1892-93	7,183,722
„ „ 1875-76 „ 1892-93	8,328,344

So that nearly the whole of the silver imported into India has been absorbed by currency demands, or has passed through the mints.

United States currency demand.

58. The United States currency demand is 54,000,000 ounces of silver a year.

Production of silver in the world.

59. The production of silver in the world is estimated for 1892 to have been from 152,102,000 to 157,535,000 ounces.

Probable consequence of cessation of American and Indian demands.

60. The currency demands of India, therefore, have during recent years been nearly a quarter, and those of the United States rather more than a third, of the whole world's production. If, therefore, either the one or the other were to cease, there ought, according to general laws, to be a great fall in the value of silver; and, if both were to cease, the fall ought to be very great indeed until the reduction of the demand had produced a similar effect on the supply. We have already explained that this reduction in supply might not follow for some time the diminution of demand, and the fall might be protracted for a long time.

Possible panic.

61. No safe inference, however, as to the effect of the cessation of the Indian or American demand, can be founded exclusively on these figures. Apprehension of the future often operates on the minds of men, and produces an effect on the market greater than the actual circumstances of demand and supply would seem to warrant. The closing of the Indian mints would, no doubt, make it more likely that the United States would give up buying silver; and, if the apprehension of this were added to the cessation of the Indian demand, the effect might be a panic in the silver market. Eventually the price of silver would, no doubt, settle down to the new circumstances of demand and supply.

Possible rise in value of gold.

62. There is still another element to be considered. If the effect of the proposal of the Indian Government were sooner or later to cause a demand for gold in India which does not exist, it might raise the value of gold as against all other things, including silver. In other words, the gold price of silver might be still further diminished.

Effect on value of uncoined silver.

63. All the factors of the problem are so uncertain that it is impossible to predict with any confidence or in numerical terms what the effect of closing the mints would be on the value of uncoined silver. The greater the effect, the greater, of course, would be the difference in value between coined and uncoined silver in India, and the greater the dangers, whatever they may be, which might arise from that source.

64. Next, as to the effect of simply closing the mints on the future value or gold price of the rupee. If there be already, as there is reason to suppose, a quantity of unused rupees in India, they would have to be absorbed before the closing of the mints produced an effect on the value of the rupee. In that case there might be some time to wait before there was any increase in its value. The apprehensions of men concerning the future might cause an immediate effect of a serious character; but we cannot venture to say for what length of time this would be maintained. Neither could we trace the progress of the enhancement of the value of the rupee in respect of time or place which we should expect to follow the closing of the mints.

Effect on value of coined rupees.

65. It is impossible to estimate the extent to which the rupee might be raised if the Indian mints and Indian currency were to remain closed against both precious metals. The Government of India, however, add the proposal to make English sovereigns legal tender at a ratio which is not to exceed 1*s.* 6*d.* to the rupee; and it remains to be considered what would be the effect of stopping the free coinage of silver taken in conjunction with this condition. The proposal would leave it in the discretion of the Indian Government either to fix that ratio at once or to proceed by successive stages. If the higher ratio were adopted, if the Government were not itself to add rupees to the currency, and if in consequence of the closing of the mints exchange rose rapidly to that ratio, the difficulties and evils arising from an appreciation of the currency, to which we shall have to call attention hereafter, would be so much the greater; if a lower ratio were adopted in the first instance, and if exchange were to rise more gradually, these difficulties and evils would be less; but, whichever plan were selected, the Indian Government would probably be deemed by the public to have decided that 18*d.* was to be the gold value of the rupee, which consequently would be regarded as a limit. When that limit was reached the currency would again become automatic, since gold sovereigns could be freely exported to India to serve as currency there.

Effect of closing the mints, coupled with making the sovereign a legal tender at 1*s.* 6*d.* the rupee.

Objections to the proposals: (1) *as to their practicability.*

66. The first objection taken to the scheme of the Indian Government is that it would not be practicable to maintain the rupee in the manner suggested on a ratio to gold much higher than that of the intrinsic value of the silver of which it

Practicability of maintaining the rupee at an artificial value.

consists. We have already alluded to the reliance placed by the Government of India upon the phenomena exhibited in the currency system of France and other nations. It will be important, therefore, to direct attention to the essential features of the present Indian currency, and to consider what light is thrown upon the proposals of the Government of India by the experience derived from the currency arrangements of other countries.

Precedents.

DIFFERENT CURRENCY SYSTEMS OF DIFFERENT NATIONS.

1.—*United Kingdom.*

67. The present Indian monetary system is substantially modelled on that of the United Kingdom, the essential features of which are—

Principles of currency of United Kingdom.

(1) The standard coin to be of one metal—gold.

(2) The mint to be open to the free coinage of this metal, so that the quantity of current coin shall be regulated automatically, and not be dependent on the action of the Government.

(3) Token coinage to be of a different metal or metals, subsidiary to the standard coin, legal tender only to a limited amount, and its face value and the price in the standard metal at which it can be obtained from the mint being greater than the market value of the metal contained in it.

It may be added that, under the Act of 1844, paper money is convertible on demand into gold, its quantity above a fixed amount varying with the quantity of gold against which it is issued.

68. Lord Liverpool and other authorities would have added that the standard metal—gold—should be the principal medium of exchange; but this is no longer the fact. Gold is the standard or measure, but for the most part not the medium itself. Though, however, in wholesale transactions, and in a great many retail purchases, gold is no longer the medium of exchange, the use of gold coins is probably greater in the United Kingdom than in most other countries.

Gold formerly considered the principal medium of exchange.

69. As regards the stocks of gold and silver (other than mere token money) in the United Kingdom and in India, such information, as we have been able to obtain, leads to the conclusions contained in the two following paragraphs.

70. In the United Kingdom the amount of gold and silver available for the purposes of currency is uncertain; but the mint estimate of the gold in circulation is 91,000,000*l.*, of which the amount in banks (including that in the Issue Department of the Bank of England and in other banks against which notes are issued) is stated to be 25,000,000*l.*

Stocks of legal tender money in the United Kingdom.

There is also the fiduciary issue of notes by the Bank of England and other banks, which, at the close of 1892, stood at 27,450,000*l.*

It must, however, be remembered that the gold held by the Issue Department of the Bank of England and the gold held by the Scotch and Irish Banks in respect of notes issued beyond the authorised limits cannot be looked up as an integral portion of the currency, since it cannot be used at the same time with the notes which are issued against it; but the amount is included in the sum of 21,000,000*l.* above mentioned in order to facilitate comparison with foreign countries which keep a gold reserve against their notes, though not under conditions so strict and specific as those of the English Act of 1844.

India.

71. In the Indian currency system, as established in 1835, silver takes the place which gold occupies in the English system. Cheques, bankers, money and other credit have not in India replaced the metallic currency to the same extent as has been the case in England.

Principles of currency in India: stock of silver.

The Indian mint is open to the free coinage of silver; the rupee and the half-rupee are the only standard coins, and are legal tender to an unlimited amount. It is uncertain what is the stock of rupees in India, but it must be very large; Sir David Barbour says that the amount in active circulation, in which of course the hoards are not included, has been recently estimated at Rx 115,000,000; and by some writers it has been placed much higher. Mr. F. C. Harrison, who has taken great pains in the investigation, puts it at Rx 134,170,000, besides Rx 30,000,000 of the coins of Native States.

Gold is not legal tender, and there are no current gold coins.

There is a subsidiary silver fractional coinage, which is legal tender only to the limit of one rupee.

Paper money may be issued to the amount of 8,00,00,000 rupees against securities; and beyond this only against a reserve of coin or bullion deposited. The amount of notes so issued was

Rs. 26,40,18,200 on the 31st of March 1893, and the reserve was constituted as follows:—

	Rs.
Coin	17,53,85,744
Bullion	86,82,456
Securities	8,00,00,000

For the purposes of the Paper Currency India is divided into circles, at present eight in number. The notes are legal tender for five rupees and upwards within the circle for which they are issued, and are convertible at the office of issue, and (except in the case of British Burma) at the principal city of the Presidency to which the circle of issue belongs.

Other countries: principles of currency and stocks.

72. When we proceed to examine the currencies of other countries, we find that many of the conditions which have been considered essential in the English and Indian currencies are either wanting altogether or have been replaced by other conditions. The following is a short statement of the most important features in these currencies, and of the stock of gold, silver, and notes available for currency, so far as we have been able to obtain them, as they stood at the close of 1892; but we must guard ourselves against being supposed implicitly to accept all the figures.

United States.

United States.

73. The standard is gold and the mint is open to gold.

There is little gold coin in circulation, at any rate in the Eastern States, but a large reserve of gold in the banks and in the treasury—

	£
Stock in the Banks	82,250,440
„ „ Treasury	48,852,290
Silver dollars in the Treasury	70,948,080
„ „ in circulation	12,334,490

and these, or the certificates issued against them, circulate at a gold value at the old ratio of 16 to 1.

There was also in the Treasury of silver bullion an amount valued at 17,874,430*l.*, against which paper certificates are issued, which circulate at a gold value at the same ratio.

The aggregate paper currency was about 210,000,000*l.*

The silver currency and paper based on silver are accepted as legal tender to any amount, and there is no premium on the gold and gold certificates in comparison with them.

74. In this case a very large amount of silver, or certificates representing such silver, has hitherto been keept in circulation at the ratio of 16 to 1. But there is considerable apprehension concerning the difficulties which may arise if the compulsory purchase of silver by the Treasury for currency purposes should continue. Under the Bland Act passed in 1878 these purchases amounted, as above stated, to about 20,600,000 ounces in the year, whilst under the Sherman Act, which was passed in 1890, these purchases have been increased to an annual amount of 54,000,000 ounces.

Silver maintained at ratio of 16 to 1.

Canada.

75. The standard is gold; but though there is a provision for coining gold dollars at the rate of 4·86⅔ to the British sovereign, that is, at the ratio of 16 to 1, there is no Canadian gold coin, and little or no gold coin in circulation.

Canada.

Canada has no mint. Fractional silver currency is supplied from England.

The stock of gold is said to be about 2,400,000*l.*

There are about 3,700,000*l.* worth of Dominion notes of various amounts, from 25 cents up to 4 dollars; and the banks may issue notes for 5 dollars or any multiple thereof to an amount not exceeding their "unimpaired paid-up capital," such notes being redeemable in specie or Dominion notes; the present issue is about 7,000,000*l.*

The Dominion notes (unless it be for small amounts) are redeemable in "coin current by law in Canada," that is, in such dollars as above mentioned. The American silver dollar circulates at par at the ratio of 16 to 1, although a Government proclamation was issued in 1870 declaring it to be legal tender up to the amount of 10 dollars, but only at 80 cents per dollar.

Silver is not convertible into gold.

76. This is a very remarkable case, since without any gold currency, and without even a mint for gold, dollar notes and silver dollars circulate at the United States gold dollar value.

Notes and silver at gold value of United States.

West Indies.

77. All the West India Islands and British Guiana have adopted the English currency, gold being the standard, but silver being a legal tender without limit. In practice, British gold is never seen there, but the

West Indies.

circulating medium consists of shillings and Colonial bank notes. Except in British Honduras, no silver dollars are legal tender, but gold doubloons remain legal tender at 64 shillings (the rate fixed in 1838) throughout the West Indies.

In Jamaica and Trinidad gold doubloons and United States gold coins are not uncommonly seen; they come from the Isthmus and Venezuela, and go to New Orleans and New York in a steady current.

In the Bahamas the United States gold dollar (worth 4*s.* 1·316*d.*) is popularly over-rated at 4*s.* 2*d.*, and consequently American eagles circulate freely (or did so until notes were introduced).

British Honduras has as its standard the silver dollar of Guatemala, which is a 5-franc piece without any gold behind it.

Silver token currency at gold value.

78. This is an instance of a gold standard without gold and a silver token currency circulating to an unlimited extent at a value based on that gold standard.

Germany.

Germany.

79. Germany in adopting a gold standard in 1873 adopted most of the features of the English currency system. The mint was opened to gold, and a subsidiary silver token coinage was introduced, limited in quantity by reference to population, and legal tender only to a limited amount. The peculiarity of the case of Germany is that 20,000,000*l.* worth of old silver thalers are retained in circulation at a ratio of 15½ to 1, and are legal tender to an unlimited extent. Of the new coinage of gold, the banks hold 34,250,000*l.*, in addition to 6,000,000*l.* stored at the fortress of Spandau, while the amount in circulation is estimated to be from 65,000,000*l.* to 70,000,000*l.*

The amount of paper currency issued is 6,000,000*l.* by the Imperial Government, 53,790,000*l.* by the Reichsbank, and 8,950,000*l.* by other banks, making a total of 68,740,000*l.*

Resembles that of United Kingdom.

80. On the whole, the German system approximates more closely than any other to our own, though it is said that there are not equal facilities for obtaining gold for export.

Scandinavia.

Scandinavia.

81. The standard has been gold since 1873, and the mints appear to be open to gold, but there is little gold in circulation. Bank-notes convertible into gold are the ordinary currency.

Silver is only subsidiary token currency. The stock of gold held by the banks appears to be about 5,500,000*l.*, and of notes about 13,000,000*l.*

Latin Union.

The Latin Union.

(*a*) *France.*

France.

82. The mints are open to gold.

Silver coinage, except of subsidiary coins, has since 1878 been, and is now, prohibited under the rules of the Latin Union.

There is a large quantity of gold coin in actual circulation.

The peculiarity of the French currency is the large amount of 5-franc pieces which circulate at the old ratio of 15½ to 1. They are legal tender to any amount, and are accepted as freely as the gold coin. They are not legally convertible into gold.

The stock of currency appears to be as follows :—

	£
Gold, about	171,000,000
Silver	140,000,000
Notes	132,000,000

The notes of the Bank of France are convertible into gold or silver, at the option of the bank. The bank pays gold freely for home use; but, if gold is required in large quantities, especially for exportation, special arrangements must be made.

There is no difficulty in maintaining either the silver or the notes at their gold value.

Gold standard, with much silver circulating at gold value.

83. Here is a currency which for all practical purposes appears to be perfectly sound and satisfactory, but which differs from our own in most important particulars. It is sometimes called "étalon boiteux," or limping standard; but, inasmuch as the mint is open to gold and closed to silver, the standard is really gold, whilst a very large proportion of the currency is either inconvertible silver, or notes payable (at the option of the bank) in silver or gold, maintained without difficulty at the above-mentioned artificial ratio.

(*b*) *Belgium.*

Belgium.

84. The mint is open to gold.

The rules as to 5-franc pieces as to the ratio between gold and silver and as to legal tender are the same as in France.

The stock of currency appears to be as follows:—

	£
Gold, about ...	... 5,000,000 or more.
Silver, 5-franc pieces ...	... 8,000,000
Notes ...	... 15,000,000

The notes appear to be convertible into either gold or silver, at the option of the bank.

85. The situation is the same as in France; but inconvenience might be experienced if the Latin Union were to be terminated, and the several members were obliged, under the conditions imposed by that Union, to liquidate in gold their silver currency held by France.

(c) Italy.

Italy. 86. The mint is open to gold.

The rules as to 5-franc pieces as to the ratio between gold and silver and as to legal tender are the same as in France.

The stock of currency appears to be—

Gold	23,600,000
Silver, 5-franc pieces	4,000,000
Notes	57,000,000

There is very little metallic coin in actual circulation; the paper is at a discount, and the exchange below par.

87. The state of this currency is unsatisfactory, not, however, on account of the artificial ratio between gold and silver, but on account of the want of both metals, owing probably to the state of the finances and credit of the country. The same difficulty would arise as in Belgium if the Latin Union were terminated.

Holland and the Dutch East Indies.

Holland and the Dutch East Indies: History of adoption of gold standard.

88. From 1847 to 1873 Holland and its dependencies had the single silver standard. In consequence of the changes in Germany and other countries in the north of Europe, which adopted the gold standard in 1873, Holland suspended the coinage of silver in that year. Silver could no longer be brought to the Dutch mint, and gold coin could not be issued, because the Dutch Parliament had not agreed on a gold coin or a gold standard. There was a certain quantity of silver coins in circulation, and their value at this period was regulated neither by the market value of gold nor by that of silver. The demand for coin was increasing in the years 1873 to 1875; and

the result was that, whilst the value of silver as a metal was going down in the market, Dutch silver coins were appreciated as against gold. The rate of exchange on London, which oscillates now on the gold basis between 12·1 and 12·3 florins to the £ sterling, shrank to 11·12 florins.

In 1875 the gold standard was adopted at a ratio of 15⅝ths to 1, and the Dutch mint was opened to gold; whilst the coinage of silver, except of subsidiary token coins, was prohibited, and remains so at the present time. A considerable quantity of gold coin was minted, which was, however, kept in reserve, and not used for internal circulation. Silver florins at the gold value were legal tender to any amount; and, with paper florin notes, which were also at a gold value, formed the internal circulation of the country. Neither silver nor paper is convertible into gold; but the Netherlands Bank has always been willing to give gold for exportation. In 1881 and 1882 the balance of trade turned against Holland, and the stock of gold ran down to about 600,000*l*. Under these circumstances, an Act was passed in April 1884, which enabled the Government to authorise the Bank to sell at market prices a quantity of 25,000,000 silver florins whenever the state of the currency might demand it. This Act has never been brought into operation, but it has restored confidence; the necessary stock of gold, amounting now to upwards of 5,000,000*l*., has been maintained; the Bank gives gold freely for export; and the exchange has continued steady at from 12·1 to 12·3 florins to the £ sterling. No difficulty has been experienced either in Holland or in her Eastern dependencies. The system of currency has always been, and still is, the same in both. There is no mint and little or no stock of gold in Java; and at the same time the rate of exchange between Java and Europe is always at or about par. It should be added that Java merchants can always do their business with gold countries through Holland.

The stock of currency is as follows:—

	In Holland.	In Java.
	£	£
Gold, about	... 5,200,000	500,000
Silver	... 11,000,000	2,773,000
Paper	... 16,000,000	4,250,000

Gold standard with silver and paper currency.

89. This is a case in which the standard is gold, with little or no gold in circulation. The silver is kept at an artificial ratio much higher than its market value, although neither it nor the paper is convertible into gold except for purposes of export. This artificial exchange is maintained in the Dutch East Indies, where there is little or no gold, as well as in Holland, where there is a limited stock.

Austria-Hungary.

90. Before 1879 the standard coin was the florin, which was equal to $\frac{1}{45}$th part of a pound of fine silver. The mint was open to silver, and silver florins and silver florin notes were legal tender to an unlimited amount. The actual circulation consisted of florin notes, which were inconvertible; their amount was 52,500,000*l.* in 1879 and 69,500,000*l.* at the beginning of 1892. The average exchange on London for 10*l.* sterling was 141·78 in 1861* after the Italian war. It became 109 in 1865, but rose to 125·98 in 1867 after the Austro-Prussian war. It fell to 110·53 in 1872, continued at 111 till 1875, but rose to 122·25 in 1877, 117·89 in 1878, and 116·63 in 1879. It seems that in the earlier years there had been a premium on silver, the paper money being depreciated below its face value, so that no silver was brought to be coined. But silver fell in price from 59$\frac{1}{4}$*d.* per oz. in 1873 to 51$\frac{1}{4}$*d.* per oz. in 1879; the notes ceased to be depreciated; and as the Austrian mint was open to silver, it became worth while to bring silver to the mint to be coined; so that, between August 1878 and November 1879, the silver circulation had increased by 7,000,000*l.* Under these circumstances, the Austro-Hungarian Government, in March 1879, stopped the coinage of silver on private account, but continued coining it at their own discretion. The quantity so coined between 1880 and 1891 appears to have amounted to 125$\frac{1}{2}$ millions of florins. This state of things continued till 1891, when the Austro-Hungarian Government determined to propose the adoption of a gold standard and to open the mint to gold, for which the necessary measures were passed by the Austrian and Hungarian Legislatures in August 1892. From 1879, when the mints were closed against the private coinage of silver, the average

Austria-Hungary: History of adoption of gold standard.

Year.	Annual average of exchange on London in Vienna.	Average price of Bar Silver per ounce in London. (Pixley & Abell.)
		d.
1873 ...	110·89	59$\frac{1}{4}$
1874 ...	110·91	58$\frac{5}{16}$
1875 ...	111·78	56$\frac{7}{8}$
1876 ...	121·32	52$\frac{3}{8}$
1877 ...	122·17	54$\frac{13}{16}$
1878 ...	118·99	52$\frac{9}{16}$
1879 ...	117·30	51$\frac{1}{4}$
1880 ...	117·83	52$\frac{1}{4}$
1881 ...	117·83	51$\frac{11}{16}$
1882 ...	119·60	51$\frac{5}{8}$
1883 ...	120·00	50$\frac{9}{16}$
1884 ...	121·89	50$\frac{5}{8}$
1885 ...	124·92	48$\frac{5}{8}$
1886 ...	126·01	45$\frac{3}{8}$
1887 ...	126·61	44$\frac{5}{8}$
1888 ...	124·22	42$\frac{7}{8}$
1889 ...	119·55	42$\frac{11}{16}$
1890 ...	116·05	47$\frac{1}{16}$
1891 ...	116·80	45$\frac{1}{16}$
1892 ...	119·29	39$\frac{13}{16}$

* Table given by M. Soetbeer (*see* Appendix to Gold and Silver Commission's Report, page 209), which differs slightly from the figures of exchange on London given in the margin, which have been furnished by the Anglo-Austrian Bank.

exchange for 10*l.* sterling rose from 117·83 florins in 1880 and 1881 to 126·61 florins in 1887, and then fell to 116·80 in 1891 and 119·29 in 1892. The whole oscillation between 1879, when the mints were closed, down to 1891, when the resolution to adopt a gold standard was taken, was less than 9 per cent., and at the end of the period it stood at nearly the same figure as at the beginning, though in the meantime the price of silver had fallen by nearly 12 per cent., and in 1891 it was more than 6*d.* per oz. lower than in 1879. The basis for conversion to a gold standard, which appears to have been founded on an average of this exchange, is a ratio of 18·22 silver to 1 gold, or 1 gold florin equal 2 francs 10 centimes, making 120·1 florins equal to 10*l.* The mint is now open to gold.

The Austrian Government have now at their command a reserve of about 351,000,000 florins (or nearly 30,000,000*l.*) in gold, and it appears to be intended that a certain quantity of paper and of silver florins shall be withdrawn from circulation, and that the paper florins remaining in circulation shall be convertible into gold.

Parity of exchange maintained by closing mints.

91. This is a very remarkable case. The fall in exchange, which would have accompanied or followed the fall in the market value of silver, has been averted by closing the mints against free coinage of silver. Fair steadiness of exchange has been maintained for more than a decade, although the paper currency was inconvertible, and silver was coined on Government account alone; and in the end a law has been passed for the adoption of a gold standard, a gold reserve has been accumulated, and the mint has been opened to gold.

A fractional subsidiary coinage of silver is provided for, but the currency will probably consist in the main of paper notes convertible into gold.

Brazil.

Brazil.
Parity of forced paper currency maintained.

92. The case of Brazil is perhaps the most remarkable of all, as showing that a paper currency without a metallic basis may, if the credit of the country is good, be maintained at a high and fairly steady exchange, although it is absolutely inconvertible and has been increased by the act of the Government out of all proportion to the growth of the population and of its foreign trade. The case, it need hardly be said, is not quoted as a precedent which it is desirable to follow.

The Brazilian standard coin is the milreis, the par gold value of which is 27*d.* A certain number were coined, but have long since left the country, and the currency is and has since

1864 been inconvertible paper. The inconvertible paper was more than doubled between 1865 and 1888, but the exchange was about the same at the two periods, and very little below the par of 27*d.* It had gone down to 14*d.* in 1868, the date of the war with Paraguay, but had risen again, and was in 1875 as high as 28⅜*d.* In 1869, when the quantity of paper money was increased from 12,468,000*l.* to 18,322,000*l.*, the mean rates of exchange showed an advance of about 11¾ per cent. Since the revolution which displaced the Empire and established the republic, the paper issues of the banks were increased by more than 30,000,000*l.* in less than three years, so that the paper issue in 1892 amounted to 51,372,700*l.*, and as the result of this, and of diminished credit, the exchange in that year ranged from 10¼*d.* to 15¾*d.*

Results of Examination of different Systems of Currency.

93. It is impossible thus to review foreign systems of currency without feeling that, however admirable may be the precautions of our own currency system, other nations have adopted different systems which appear to have worked without difficulty, and have enabled them to maintain for their respective currencies a gold standard and a substantial parity of exchange with the gold-using countries of the world, which has unfortunately not been the case with India. This has been effected under all the following conditions, *viz.*,—

Parity of exchange maintained under various circumstances.

(*a*) with little or no gold coin, as in Scandinavia, Holland, and Canada;

(*b*) without a mint or gold coinage, as in Canada and the Dutch East Indies;

(*c*) with a circulation consisting partly of gold, partly of overvalued and inconvertible silver, which is legal tender to an unlimited amount, as in France and other countries of the Latin Union, in the United States, and also in Germany, though there the proportion of overvalued silver is more limited, the mints in all these countries being freely open to gold, but not to silver, and in some of them the silver coinage having ceased;

(*d*) with a system under which the banks part with gold freely for export, as in Holland, or refuse it for export, as in France;

(*e*) with mints closed against private coinage of both silver and gold, and with a currency of inconvertible paper, as has been temporarily the case in Austria;

(*f*) with a circulation based on gold, but consisting of token silver, which, however, is legal tender to an unlimited extent, as in the West Indies.

The case of Holland and Java is very remarkable, since in that case the gold standard has been maintained without difficulty in both countries, although there is no mint in the Dutch East Indies, no stock of gold there, and a moderate stock of gold in Holland; whilst the currency consists of silver and paper legally and practically inconvertible into gold, except for purposes of export. The case of Canada, which maintains a gold standard without a gold coinage, is also very remarkable.

Austria-Hungary compared with India.

94. The case of Austria-Hungary is also interesting, and presents a remarkable contrast to that of India, as will be seen from the following table :—

Years.	Average value of Florin deduced from the Table of Exchange on London in Vienna given at paragraph 88.	Average value of Rupee in London for Bills on India (for official years 1873-74, &c.)	Comparison of the two tables, taking the first year as equal to 100.	
	d.	*d.*	Austrian Florin.	Indian Rupee.
1873 ...	21·64	22·35	100	100
1874 ...	21·64	22·16	100	99·13
1875 ...	21·47	21·63	99·21	96·76
1876 ...	19·78	20·51	91·40	91·75
1877 ...	19·64	20·79	90·76	93·02
1878 ...	20·17	19·79	93·21	88·56
1879 ...	20·46	19·96	94·55	89·31
1880 ...	20·37	19·96	94·13	89·28
1881 ...	20·37	19·89	94·13	89·01
1882 ...	20·07	19·52	92·74	87·36
1883 ...	20·00	19·54	92·42	87·41
1884 ...	19·69	19·31	90·99	86·39
1885 ...	19·21	18·25	88·77	81·67
1886 ...	19·05	17·44	88·03	78·03
1887 ...	18·96	16·90	87·62	75·60
1888 ...	19·32	16·38	89·28	73·28
1889 ...	20·08	16·57	92·79	74·12
1890 ...	20·68	18·09	95·56	80·93
1891 ...	20·55	16·73	94·96	74·86
1892 ...	20·12	14·98	92·93	67·04

It will be seen that a country with a silver standard, and a currency consisting partly of overvalued silver, but chiefly of

inconvertible paper, has been able by closing its mints against private coinage for a series of years, and whilst still continuing to coin silver on Government account, to maintain a fairly steady rate of exchange with gold-using countries for a considerable period preparatory to adopting a gold standard.

Russia.

95. Concerning the currency of Russia, we have less information than in the case of other countries. But it appears that there is little or no silver or gold coin in the country, and that the currency consists of inconvertible paper roubles based on silver. The Russian mint is now closed against the coinage of silver on private account. It is an interesting fact that the paper rouble, being in form a promise to pay silver, is now, owing to the fall in silver, exchanged for a higher value in gold than the silver which it promises to pay. Taking silver at 38*d.* per ounce, the silver rouble would be worth 23·774 pence, whilst the paper rouble is quoted at 25 pence. We have already called attention to a similar experience in the case of Austria-Hungary. The phenomenon can, of course, only arise when the amount of the paper currency is limited.

Result of the above precedents.

96. It would thus appear that it has been found possible to introduce a gold standard without a gold circulation, without a large stock of gold currency, and even without legal convertibility of an existing silver currency into gold. Before concluding, however, that these precedents are directly applicable to the condition of things existing in India, it is necessary to examine them carefully. There is no one of the countries above referred to in which silver has been so largely and so exclusively used as in India during the last half-century; and in most of them the people have been for long accustomed to deal with their silver coins on the basis of a double standard.

United States. France.

To the Frenchman 5-franc pieces, to the American dollars, have for generations been not only so much silver, but the equivalent of a certain quantity of gold; and it would have been a shock to his habits and mode of thinking to treat them otherwise. It may be easier to maintain an old and well-known silver currency at a gold value in countries which have been bimetallic, and in which large quantities of gold and silver are already in circulation, than to introduce such a system into a mono-metallic silver country such as India.

Austria-Hungary.

The case of Austria-Hungary again differs from that of India in some important particulars. In Austria-Hungary the standard was silver with an inconvertible paper currency; and the state of this paper currency was probably one of the chief factors which made a fundamental change necessary. In making

the change the relation of Austria-Hungary to the neighbouring countries was, no doubt, an important consideration, and the fact that Germany and other States had adopted a gold standard rendered it expedient to take a similar course.

Holland and her dependencies.

97. Even in the case of Holland and its East Indian Colonies, which is *primâ facie* very much in point, there are differences which detract from its value as a precedent for India. At the time the change of standard was adopted, the relative values of silver and gold had not parted as they have since done; and, as regards Java, it must be borne in mind that, although it is an Eastern country dealing largely with silver-using countries, it has always had the same standard and the same currency as Holland, the change being made in the standard of both at the same time.

General conclusion.

98. On the whole, it seems to us that, whilst the differences we have pointed out prevent the cases of the countries referred to from being applicable in all respects as precedents to the case of India, and the circumstances of each particular country must be studied, yet the experience derived from the currencies of those countries is not without value as bearing on the questions which we have to consider, and is important as showing under what various conditions the exchange value of a currency may be maintained.

Use of Precious Metals as Currency in India.

Question as to difficulty of getting the people of India to adopt gold.

99. It has been objected that the natives of India are accustomed to silver; that the transactions are small in amount, so that silver is better suited to their use than gold; and that they will not willingly give up the rupee. The answer to this is that it is not proposed to substitute the gold sovereign for the rupee as currency in ordinary use; and that the case would in this respect resemble that of many of the countries above referred to, where the standard is gold, but the ordinary currency is silver or paper.

Use of gold in India.

100. Moreover, gold has never been entirely out of use in India. It is true that in India silver has, for the last 30 or 40 years, been more exclusively used than in many of the countries referred to. But, though gold coins have not been in use as legal tender, and no fixed ratio has been established between gold and silver coins, there is no part of India in which gold coins are not well known and procurable, and recognised as a form of money, the value of the chief gold coins being regularly entered

in the "Prices current." Until 1835 or thereabouts gold coins constituted a recognised part of the Indian currency, and they were received by the Government in payment of its demands till December 1852; and as late as 1854-55 gold coin to the value of 412 000*l.* was sent by the Government from India to London. The value of the gold imported into India in the eight years from 1862-63 to 1869-70 was no less than 50,000,000*l.*

101. Sir Charles Trevelyan, writing in 1864 in support of a proposal to make sovereigns legal tender in India, referred to the large importation of gold since 1860, as indicating "the determination of the people to have gold," and added that it "shows that the Government would be cordially seconded by them in any attempt to introduce a gold currency on a sound footing." The Secretary of State Sir Charles Wood, when replying in the same year, wrote: "It is obvious from the information collected by Sir Charles Trevelyan that there is a very general desire for the introduction of gold coins in India," and "that the people, even in the upper and remote parts of India, are well acquainted with the sovereign." There is little question but that these observations are as applicable at the present time as when originally made.

102. The introduction of gold coins on an important scale would necessarily take place through the banks; and the complete success of the paper currency, as to the acceptance of which by the people of India there had been on the part of many persons serious doubts, shows that there need be no hesitation as to the introduction of a gold legal tender coinage on the ground of its novelty.

103. It may be added that the value of the net imports of gold into India since 1880 has amounted to more than Rx 44,000,000; and it might be expected that much of the uncoined gold now in India, which must be very considerable, would be brought to the mints if a gold coinage were introduced on a proper basis.

Objections to the proposals: (2) on the ground of inexpediency.

Objections to the proposals on the ground of inexpediency.

104. So far we have been considering whether the proposals of the Government of India are practicable. We turn now to consider the objections taken to those proposals, even assuming that they would be effectual to maintain a stable exchange. Some of these objections are equally applicable, whether the exchange is or is not materially raised above its present level. Others are only of force on the assumption that exchange is to be so raised. We will deal first with those which are directed against the scheme generally on the assumption that the rate of exchange is not to be raised,

but that a continued fall in the value of silver is likely to create a considerable divergence between the exchange value of the rupee and that of the silver of which it consists.

Objections—(a) supposing the ratio not to be raised and silver to fall.

Spurious coinage.

105. It is anticipated by some that a serious amount of spurious coinage would result. If spurious coins to a large amount could be put in circulation, the transaction would no doubt be a profitable one; but in countries where silver coins having an intrinsic value much below their nominal value are in circulation, spurious coinage would be an extremely profitable enterprise, and experience shows that the apprehended danger has not been realised in these countries. Against this, however, it is maintained by some persons that this affords no guide as to what would be likely to happen in India, the natives of which country might, in their opinion, be expected to display great skill in the manufacture of spurious coins, while the people who receive them are guided more by the weight of metal in the coin than by its appearance. It is difficult to estimate with precision the real extent of the alleged danger; but when it is borne in mind that, in order to carry out operations on an extended scale, expensive and specially constructed machinery would be requisite, we doubt whether the danger of India being flooded with a large amount of spurious coin would really be a grave one.

Effect on hoards of silver.

106. The effect that on the assumption with which we are now dealing the closing of the mints would have upon the hoards of natives of India and upon their silver ornaments is more free from doubt. Coined rupees, of which it is said that the hoards chiefly consist, would be unaffected, except in so far as any further fall in their gold value would be prevented; but the uncoined silver and silver ornaments would cease to be convertible into rupees, and would certainly be depreciated in value. In times of scarcity and famine a considerable quantity of silver ornaments has found its way to the mints. During the period of the great famine in 1877 and the following years, for example, large quantities of such ornaments were minted. In three years no less than Rx 4,500,000 were thus turned into money. It is said, however, that the transaction of converting silver ornaments or hoarded silver into money is not at the present time effected by the owner himself taking them or sending them to the mints for conversion into rupees: it is through the intervention of the village money-lender that the transaction is carried out. Uncoined silver would, it is asserted, still be converted into money in the same fashion. This is, no doubt, true, but it is obvious that the

ornaments would not be converted on terms as favourable to the seller. It cannot, we think, be doubted that the closing of the mints would in this case depreciate the silver ornaments and the uncoined silver hoarded by the people of India. Such a use of ornaments is, however, said to be rare.

Existing losses would be stereotyped.

107. A further objection is to the effect that the proposal of the Government of India would perpetuate the burden hitherto experienced by India owing to the fall of exchange, and that it would be unfair to stereotype the loss of persons entitled to be paid in rupees, and to deprive them by the act of the Government of the chance of a rise. To this it may be answered that, having regard to the future prospects of the silver market, so far as they can be gauged at the present time, all persons concerned would probably be glad to lose their chance of a future rise on the terms of being secured against the effects of a fall.

Inconvertible token currency would be created with a gold standard, but without a gold currency.

108. Another objection is that the proposal of the Indian Government will, if there should in future be a divergence between the value of the rupee and the market price of silver, have the effect of converting the whole of the currency of India into a token currency, which would in no way differ in principle from an inconvertible paper currency. It must, however, be remembered that although a nation possessed of a fairly satisfactory monetary system might well hesitate to exchange it even temporarily for an inconvertible currency, yet India already labours under difficulties the gravity of which is admitted. One of the greatest risks connected with an inconvertible paper currency is the temptation which it affords to the Government unduly to expand the amount in circulation; the proposal of the Indian Government, however, does not involve this danger. It is to be observed, too, that in the United States, in Germany, in the Latin Union, and in Holland a very large amount of silver coins has, with mints closed against the free coinage of silver, been maintained as full legal tender at a gold value far exceeding that of the silver they contain; whilst in Austria-Hungary during the recent fall in silver a forced paper currency, founded originally on that metal, has in exchange more nearly corresponded with the original gold value of the silver on which it was based than has the silver itself.

Currency would not be automatic.

109. Again, strong objections are urged to the power being placed in the hands of the Government to close the mints to the public, while retaining to itself the power to coin rupees, and thus to its being enabled at will to

contract or expand the currency. But the assumption we are now making is that the exchange is not to be materially raised above its present level. If the rise were checked by the reception of gold, as suggested by the Government of India, the discretionary power vested in that Government would be confined within very narrow limits, because, if the rupee were to rise above the fixed ratio to such an extent as to cover the expenses of transmission and of coinage, it would become profitable to take gold to the Indian mint or to send sovereigns to India, and thus the currency would be rendered automatic on a gold basis.

Burden of taxation would be increased.

110. It is further objected to the proposals of the Indian Government that they would make the value of the rupee greater than it otherwise would be, and that thereby the burden of Indian taxation would be increased. That part of the revenue which consists of fixed payments would remain unaltered in nominal value, whilst each rupee which the ryot pays would be worth more, and the rupee prices of the goods he produces would be less, than they would be if silver continued to fall. The argument is no doubt sound; but there are answers to this objection which have no little weight.

Present prices would not be altered.

111. Whether silver is falling or gold rising in value, or both movements are taking place, and whether an appreciating or a depreciating standard is the less open to objection, are questions of great difficulty. We are dealing with the assumption that the present ratio, or some ratio differing but little from it, is maintained. On the assumption the present level of rupee prices would not be at once altered; and if in future rupee prices became less and the burden of existing fixed taxation became heavier than they would have been if a silver standard had been maintained, this result would not be arbitrarily produced by the action of the Government, but would be due to the fact that the new standard was depreciating less or appreciating more than that for which it was substituted.

Alternative of increased taxation a still more formidable difficulty.

112. In the next place, it must be borne in mind that the alteration in the relative values of gold and silver has so increased the liabilities of the Indian Government in comparison with its revenues as to make it necessary, in the absence of other remedies, to impose fresh taxation. The evidence we have had from men whose experience qualifies them to judge points distinctly to the conclusion, that, supposing the choice to be between an indirect increase of taxation arising from arrest of the fall in the value of the rupee, or even from a considerable increase in its value, on the

one hand, and the imposition of new taxation on the other, the latter of these courses would be far more likely to lead to popular discontent and political difficulty than the former.

Trade with silver-using countries.

113. The proposal of the Government of India, in so far as it rendered the exchange between India and gold-using countries stable, would introduce into the trade of India with silver-using countries the same disquieting influences which, it is alleged, at present hamper the trade of India with gold-using countries. It must, however, be observed that the trade of India with silver-using countries only amounts to about half of her trade with gold-using countries.

Trade of India in competition with silver-using countries.

114. Another objection strongly urged is that if the proposal of the Government were carried out, and there should arise a great divergence between the ratio borne to gold by the rupee and by silver respectively, this would seriously affect the trade of India with silver-using countries, and stimulate in those countries the production of commodities which compete with Indian commodities in the markets of the world, and that the effect of such increased competition would be seriously felt by India.

Exports of India to silver-using countries.

115. To deal first with the point as it affects the trade between India and the silver-using countries which now take her commodities. The most important of these is China, which now takes from India a large quantity of manufactured cotton goods. China, it is said, would not give more silver for these cotton goods than it did before; but if the divergence between silver and the rupee were considerable, the same silver price would mean a lower rupee price. It is true this lower rupee price might represent a greater purchasing power than if the rupee had been allowed to fall *pari passu* with silver; but the manufacturer, it is contended, would find a difficulty in diminishing the rupee cost of production. Some of his expenses would consist of fixed payments, and the difficulty of diminishing the number of rupees paid in wages would be considerable. In the result, the trade would be less profitable, and its volume would be diminished. The reply made to this argument is that the Indian produce imported into China is paid for ultimately by goods exported by China to other countries, and that if the gold price of these commodities does not fall owing to a fall in the gold value of silver, they would realise a higher silver price, and that China would thus be able to pay a higher price for the Indian imports. We have already given our reasons for doubting whether the fall in the gold value of silver

does operate, to any considerable extent, in reducing the gold price of commodities exported from silver-using countries.

Manufacture in such countries of goods competing with Indian exports.

116. It is suggested further that if the fall of silver should continue to be considerable, it would afford a great inducement to promote the manufacture in China of cotton goods in substitution for those now imported from India, and stress is laid upon the fact that the production of cotton goods in Japan has already become considerable. To this it is answered that China is slow to move, and that the impediments and burdens which are imposed upon industrial enterprise in China are such as to render the fear that the suggested change in the currency system of India would greatly stimulate the production of cotton goods in China unreasonable. Fears have been also expressed lest the production of cotton goods in Japan, where there is practically a silver standard, should be further increased in consequence of the advantage which that country would gain by the fall in the value of silver as compared with India if the exchange there remained stationary. As to this argument we may refer to the remarks in paragraph 27, in which we have expressed our view that the stimulus thus caused to the export trade of a country can only be transitory, and can continue only until circumstances have brought about the inevitable adjustment. In the same paragraph we examined the trade statistics of India, and could not see any evidence that a relation existed between a fall in exchange and the volume of exports.

Opium trade with China.

117. It is, moreover, objected, and for the same reasons, that the opium trade between India and China would be seriously affected if the currency proposals of the Government came into operation, and that India must be content to receive fewer rupees for the opium exported to China. The average annual value of opium so exported is about Rx 10,000,000, and the greater part of the decrease in its export value, supposing such decrease were realized, would fall upon the Government. It is obvious that in that event the effect upon the revenue would be very serious. In the case of opium, as well as cotton goods, it is argued that there would be a tendency to replace to some extent the use of Indian opium by opium grown in China. The same answer which has been given to this argument in relation to the trade in cotton goods is equally applicable with regard to the opium traffic. It must be remembered, too, that the production of opium in China is at the present time very large. The amount imported from India forms only a small portion of the total consumption. Indian opium is in truth a luxury ; its use in preference to Chinese opium is a matter of taste, and depends upon its real or assumed superior qualities.

Under these circumstances, it may be doubted whether any considerable diminution in the rupee value of opium exports to China would be likely to result from the adoption of the proposals of the Indian Government.

Competition of silver-using countries with India in other markets.

118. Those who object that the trade of India with other silver-using countries would be diminished in volume and profit by the adoption of the Government proposals lay, perhaps, even greater stress upon the advantage which a great divergence between silver and the rupee would give to those countries in their competition with India. Some of the articles exported by India are also produced in and exported from silver-using countries, and other important articles of Indian trade are, it is said, capable of being produced there—notably in China. If there came to be a great divergence between the value of silver and of the rupee, a considerably lower gold price would in China represent the same amount of silver as before, whilst to India it would give fewer rupees. The Chinese would be content to take the same amount of silver—that is to say, the same silver price—that they have hitherto done, so that the Indian producer must rest satisfied with a lower rupee price, or perhaps be driven out of the market altogether through the stress of this competition. One reply given to this objection is that it involves the proposition that the continuous depreciation of the currency of a country in relation to that of others is advantageous to the commerce of the country whose currency is thus depreciated, and adds to its prosperity. This answer is not absolutely conclusive, because, even if it be true that the cost of production in wages and otherwise would ultimately adjust itself to the fall in the value of silver, yet it is impossible to deny that, until this adjustment has been brought about, the exporter in the silver-using country, who continues to pay the same nominal wages, and whose nominal expenditure for production otherwise remains the same, has an advantage in competition with the exporter who receives a lower price than before, and who can only retain to himself the same advantages by a reduction of nominal wages; and it must be remembered that in a country whose civilisation is backward, and whose industrial institutions are but little developed, the interval may be considerable before such an adjustment can be effected. But, allowing that the argument of those who raise the objection with which we have been dealing is not without foundation, consideration of the experience derived from a study of the history of Indian exports during the period characterised by a fall in the gold value of silver, as noticed in paragraph 27, leads us to doubt whether the suggested advantage is not much less than those who urge the argument suppose.

Tea plantations.

119. Those who are interested in the tea plantations of India, the produce of which is now exported in large quantities, maintain that their industry might be greatly crippled, if not extinguished, by the competition of China and Ceylon if a gold standard were adopted in India only, and silver continued to fall heavily. It is to be observed, however, that the transfer of the commerce in tea from China to India, which has been going on for some years, has taken place, whilst the two countries have shared alike the changes produced by the fall in the value of silver. But it is stated on behalf of the tea planters that, even though their success may be due to the Indian tea better suiting the wants of the consumers, yet the difference in the relative price in gold-using countries of Chinese and Indian tea might be such as to overbalance any advantages possessed by the Indian products, and cause the competition to be a disastrous one for the Indian producer. It must be added that the qualities of the Ceylon tea are much the same as those of Indian tea. It cannot be denied that, if the proposed currency change were adopted in India alone, its tendency might be for a time to benefit the producer in Ceylon, and perhaps the Chinese in his competition with the Indian. To what extent this tendency would prejudice the Indian producer it is impossible to forecast, and, even so far as it did so, it must be remembered that it would not necessarily entail disadvantage on the country as a whole; and having regard to the history of the Indian tea trade, and to its great progress in recent years under existing conditions, we cannot think it likely that any very serious prejudice would result.

China might produce what she now imports from India.

120. We have already referred to the argument that China might in the altered circumstances anticipated produce for her own consumption commodities which she now imports from India. It is alleged that not only would she do this, but that she would also increase her production of cotton and other articles, for which her soil and climate are said to be suitable, and send them into the market to compete with Indian products. To this it is replied, and we think with force, that the want of railways and other means of communication in China, the heavy and arbitrary imposts to which production is there subjected, and other causes, deprive these apprehensions of any very serious foundation.

Balance of trade and Council bills.

121. It is further objected that the balance of trade would be disturbed; that the export trade of India would be injured by a gold standard, and that India would thus, *pro tanto*, lose her power of paying her debts; that the Indian

Government would in consequence be unable to sell their bills in London ; and that they would be obliged to send silver from India at a ruinous loss to pay their gold debt.

Export trade.

122. This objection seems to depend on the question whether the export trade of India will be injured by the proposals of the Government of India, with which we have already dealt in paragraphs 27 and 114 to 120. As to the Council bills, it may be observed that they are only a financial mode adopted as the simplest and best by the Government of India for the purpose of paying a gold debt to England, which in any case they must pay, and which other nations owing gold debts to England pay in other modes. They are orders for the payment of rupees in India, and the same end would be attained if the Government of India bought sterling bills of the exporting merchants in India, and sent them to be cashed on its account in London. Where a country has debts to pay, it must pay them, and it will do so by means of exports, the transaction being effected in whatever methods are found to be most convenient.

Council bills.

India must pay her debts in whatever is the most convenient form.

123. So far as concerns their effect on the import of silver into India, the Council bills now compete with silver ; the closing of the mints to silver would relieve Council bills from this competition, and the immediate effect would be a tendency for the bills to sell at a higher price. The merchant wishing to pay for Indian goods would have to pay more gold for the Council bills. If their price should rise so far as to make the business of buying Indian goods unprofitable, it would no doubt, *pro tanto*, check the export trade of India, and the price of the bills must fall. But it would only fall so far as would be necessary in order to make the trade again profitable. In short, India must pay her debts by exports, and the Indian Government cannot in any way avoid whatever expense is necessary in order to pay them. That these exports should ever consist of silver, despreciated as silver is in the Western world, is highly improbable ; but, if this should turn out to be the case, it would be because silver was the article which India could best spare.

Currencies of Native States.

124. Fear has been expressed that the restriction of the coinage of rupees at the British mints would lead to an increase of the use of the coins of Native States in the British provinces. There are numerous Native States in different parts of India which exercise the right of coining—a privilege of which they are most tenacious, regarding it as an indication of sovereign authority. The currencies are very various in their details, the chief silver

coin being the rupee, but with many variations in intrinsic value in the different States. In 1835, when the existing system of currency was adopted, a list of the various rupees then existing included no less than 300 different coinages (many, no doubt, obsolete), for the most part showing greater or less variations of value *inter se*.

125. The attempt made to facilitate the adoption of a common currency throughout India by an Act passed in 1876 has had no material effect. It provided that on a Native State agreeing to abstain from coining for at least thirty years, and not to allow coins resembling those of British India to be struck under its authority, the Government of India would coin for the State rupees identical in weight and fineness with those of British India, but with a device differing from that before used by the State. Such coins would be legal tender in British India. Up to the present time only four of the minor States have availed themselves of the provisions of this Act.

126. Sufficient information on the subject of the currencies of the various States is not available to admit of our giving any precise account of them, but there is reason to think that their issues are not on a scale of any considerable magnitude. The coinage of Hyderabad, the largest of the Native States, is stated to have been in 1887-88 816 tolas of gold and 15,051 tolas of silver, and in 1888-89 784 tolas of gold and 17,76,421 tolas of silver, the tola representing the weight of a rupee; the value of the Hyderabad rupee, commonly called the Hálli Sicca rupee, is about 14 per cent less than that of the rupee of British India. The Baroda State coined 8 lakhs of rupees in 1883-84 and 9 lakhs in 1884-85, but in the three following years there was no coinage; new machinery for the mint was supplied in 1891. The Kashmir mint appears to be no longer in operation, and the States of Mysore and Rewah also are said to have no mints. The coinages of Holkar's Government at Indore, of Bhopal, and of Travancore, are reported to be very small in amount.

127. On the whole, it appears that the annual addition to the coinage of the Native States is of little importance. The coins of these States have a free circulation among the population of the border districts of those States and the British provinces, and at times are found at considerable distances from their place of origin. They are, however, always liable to a charge for discount when circulating beyond the State from which they issue, and in no case are received at British treasuries, by the railways, municipalities, or other local bodies, nor are they legal tender in British territory.

128. On this subject the Government of India, in a telegram of the 16th of March 1893, stated their opinion that they could easily overcome any difficulty that might arise in connection with

rupees coined under the Native Coinage Act, 1876, before mentioned; and that they did not think that any serious difficulties could arise in connection with the coinages of Native States generally.

Ceylon and Mauritius.

129. We have had evidence from persons interested in the trade of Ceylon expressing apprehensions that if the proposed change of standard were to be made in India, and the present currency arrangements were to be continued in Ceylon, the effect would be prejudicial to the trade of that island. These apprehensions are of the same nature as those we have already examined on the part of the planters in India. It is obvious that independently of these apprehensions, both Ceylon and Mauritius, which have the rupee as their standard coin, which have no mints of their own, and which import their rupees from India, would be affected by the closing of the mints and by the adoption of a gold standard in India. It would in that event be open to the Government of those Colonies to acquiesce in the action of India, or to establish currencies of their own, with or without local mints. If they should adopt a currency of their own, and if in India the rupee should, in consequence of the proposed changes, rise above its silver value, it would become profitable to export Indian rupees from those Colonies to India. Such an export would operate in the same way as a release of the hoards of coined rupees in India, and might, so far as it goes, delay the rise in the value of the rupee. But, according to the best information we can obtain, the stock is not so large as to be likely to have any considerable disturbing influence. It is no part of our duty to advise what action should be taken by the Colonial Governments, except to point out that they ought not to allow any coins which they issue to be so similar to the Indian rupee as to be mistaken for it, and thus to become current in India.

Objections (b) supposing the ratio to be raised materially above the present level.

Objections on the assumption that the ratio is raised materially above the present level.

130. We have been hitherto dealing with the proposals of the Indian Government on the assumption that exchange is at once fixed at a point not materially above its present level. The suggestion of the Government of India is that no ratio should be fixed immediately on the closing of the mints. Their proposal to take power to declare that English gold coinage shall be legal tender in India at a rate of *not less than* 13⅓ rupees to the sovereign would, if acted upon, prevent the exchange from rising to any great extent above 1*s.* 6*d.*—that is, a ratio of silver to gold a

little less than 20 to 1. As the present exchange value of the rupee is 1*s.* 2$\frac{3}{4}$*d.*, and the ratio of silver to gold about 24 to 1, the Indian Government, though it may be that they would act gradually and tentatively, suggest the possibility of raising the ratio materially above the present level.

131. We have now, therefore, to consider what are the objections to these proposals on the assumption that the exchange were so raised.

The same objections as if the ratio were not raised.

132. All the objections which have been urged as existing in the case of the assumption that the ratio were fixed at a point not materially above the present level are at least equally applicable in the case of that which we have now to consider; but the answers which have been given to them in the former cases are not all of equal force where the ratio has been materially raised.

Spurious coinage, trade, inconvertible currency.

133. The dangers of spurious coinage and of depreciation of Indian hoards must increase in proportion to the difference between the value of the rupee and the market value of silver; and the trade difficulties due to a rising exchange, such as they are, would, of course, be the greater the higher the ratio was taken. Moreover, the difficulty of maintaining an inconvertible token coinage as full legal tender at a par value tends to increase with the difference between the legal value of the token coin and the metal it contains; but the cases of foreign currencies quoted above show that difficulties similar to those which are apprehended in the case of India have been successfully encountered.

Objections founded on effect upon rupee prices and fixed burdens.

134. We pass to the objections founded upon the effects on rupee prices, on taxation, and on other fixed burdens. These effects would be such as result from an appreciating currency, namely, first, to make prices lower than they would otherwise have been; then, though more slowly, to lower money wages, and to increase the burden of debts and of all fixed payments. It has been urged in answer to this that, whatever these evils may be, they are not greater than those which have in recent years been experienced from a depreciating currency, namely, prices higher than they would have been but for such depreciation, and debts and other just burdens lightened, to the benefit of the persons who pay, and to the injury of those who receive, including the Government. It has also been urged that if future appreciation were due to the act of the Government, past depreciation has also been due to the adoption by the Government of an unstable and

depreciating standard. But, even assuming that these answers are true in point of fact, it is no less true that, since the adoption of the silver standard in 1835, the depreciation of the silver currency has arisen from causes over which the Government have exercised no control, whereas any appreciation resulting from the raising of the rupee would be due to the direct action of the Government.

135. It is impossible in view of these considerations not to come to the conclusion that to close the mints for the purpose of raising the value of the rupee is open to much more serious objection than to do so for the purpose of preventing a further fall.

Injury to Eastern trade.

136. It has been represented to us by the China Association, the Chambers of Commerce at Hong-Kong and Singapore, and others interested in the Eastern trade, that a change, such as has been proposed by the Government of India, would be likely to be prejudicial to their interests. Although some of the facts to which we have already drawn attention indicate that the apprehensions expressed are excessive, and although some of the arguments which we have adopted are not inapplicable to their case, we have not thought it within the limits of Your Lordship's reference to enter in detail upon the considerations suggested by these representations.

Alternative Schemes.

Charge on silver.

137. Amongst the suggestions made for preventing a further fall in the value of the rupee, for counteracting the effect of the fall which has already taken place, and for adding to the resources of the Government of India, is a proposal to impose a charge on silver, which might take the form either of an increased seigniorage on the coinage of the rupee or of a duty on all silver imported. It is claimed for this proposal that it would avoid direct and obvious interference with the standard of value, whilst it would bring in additional revenue to the Government. It is therefore desirable to examine it carefully.

Seigniorage.

138. Let us first assume the charge to be a seigniorage. In that case, it would be imposed only on the silver brought to be coined. It might take either of two forms, *viz.*, a fixed charge of so much per ounce, or a charge varying inversely as the gold value of silver, so as to keep the rupee at a certain fixed ratio to gold. A fixed seigniorage would be no remedy for a fluctuating exchange, because, whatever might be its present effect, it would

Fixed in amount.

fail to maintain a parity of exchange between the rupee and the sovereign if silver should fall further or should rise in value; and, although it might afford some present relief, a continued fall in exchange would leave India subject to the same difficulties as before.

Varying inversely as the gold price of silver.

139. A seigniorage varying inversely with the gold value of silver is not open to the same objection. If this were adopted so as to make the gold price of a given weight of silver plus the duty always equal to a given weight of gold, it would, no doubt, tend to maintain the rupee at a fixed ratio to the sovereign. But to provide from time to time for the necessary alterations in such a varying seigniorage, so as not to embarrass trade or to encourage undesirable speculation, would be an administrative function of some difficulty. An intermediate course might be taken, making the seigniorage vary, not with the daily rate of exchange, but at fixed intervals, say, from year to year, so that the annual charge should vary inversely as the annual average gold value of silver for the preceding year. Though, judging by recent experience, this method would lesson considerably without, however, entirely removing the administrative difficulties above mentioned, yet towards the end of the term for which the seigniorage had been fixed speculators would be encouraged either to pour silver into India or to abstain from importing it, according as they expected the seigniorage to be raised or lowered.

Indirect method of altering the standard.

140. The imposition of a seigniorage necessarily enhances in an artificial manner the value of the rupee above the intrinsic value of the silver it contains, and tends to reduce the amount coined. Many of the objections, therefore, which have been urged to the proposals of the Government of India, apply equally in principle to such a scheme. It is, in fact, an indirect method of attaining the end which the Indian Government propose to attain by closing the mints.

Regarded as a mode of raising revenue.

141. A 10 per cent seigniorage—that is, an addition of 8 per cent to the present rate—even on the assumption that its imposition had no effect in reducing the amount coined, would only on the average coinage since 1875 produce annually about Rx 600,000; and, therefore, regarded as a mode of raising revenue, the relief afforded to the Indian Exchequer would not be sufficient to meet the difficulties which the Government have to encounter. It is impossible to anticipate that with so heavy a seigniorage the amount coined would be as large as on the average of recent years; nor could any fixed amount be relied on, since it would depend on the state of the exchange, and on the quantity of silver brought to

the mint. It is, in fact, open to the objection in principle which applies to many other forms of taxation imposed for purposes other than that of revenue, *viz.*, that in proportion as it effects the object of restricting the coinage of silver, it ceases to be profitable as a source of revenue.

Unsatisfactory.

142. It remains for us to consider the effect of imposing a duty on all silver imported, whether for coinage or otherwise. Such a duty would tend to restrict the supply of uncoined as well as coined silver; but, looking to the fact that nearly all the silver imported in recent years has been coined, this difference is not at the present moment of great importance. Subject to this distinction, the observations we have made on the proposals for a seigniorage apply also to the proposal to levy a duty on uncoined silver, with the addition that such a tax would be difficult to enforce, and would be an encouragement to smuggling; and that, if it were made to vary constantly with the gold price of silver, the administrative difficulties would be even greater.

Duty on silver imported.

143. The coinage of a new rupee of greater weight than that at present existing has been suggested as a remedy for the difficulty. If for this purpose the plan were adopted of recoining the existing rupees, it is evident that the expense, which must be calculated on at least 1,000 to 1,500 millions of rupees, would be very heavy, even if the measure did not attract to the mints hoards in excess of the amount in circulation; and after the recoinage had been completed, there would be no security that it would be effectual, since a further fall in the gold value of the rupee would produce difficulties of the same kind as have now arisen. If, on the other hand, in addition to the existing rupees, heavier rupees were issued, there is the objection that, for sometime at any rate, two kinds of coin would be in circulation, of different intrinsic worth, yet professedly of the same value, and there does not appear to be any advantage in this plan over that proposed by the Government of India.

Coinage of heavier rupees.

144. Other plans which have been suggested are the introduction of a gold standard with a gold currency, the ratio of the gold and silver coins being notified from time to time according to the market rates of exchange; the adoption of a gold standard with a very big unit, rupees being made token coins, and currency notes of large denomination being issued for gold alone, but payable in either gold or rupees; the issue of currency notes expressed in gold, but exchangeable only into rupees at the foreign exchange rate of the day; the establishment of a gold standard without a gold coinage based on the credit of a reserve to be held

Various schemes.

by the Bank of England in India; the gradual introduction of a gold standard by placing the rupee debt on a gold basis and providing for the discharge of debts partly in gold and partly in silver, the proportion of the former being annually increased until the whole became fixed in gold; the adoption of a given amount of gold bullion as a standard for foreign and wholesale transactions, leaving the coins to be used as tokens for internal trade; the declaration that rupees shall be a legal tender in the United Kingdom; the issue of coins of mixed gold and silver; the basing of the currency system on a certain amount of Government sterling stock; the adoption of independent standards of gold and silver to be in use at the same time.

145. We deem it unnecessary to do more than indicate in the briefest manner the nature of these proposals. Some of them are not within the power of the Government of India, and others are impracticable for various reasons; while no one of them appears to be so free from objection as to justify us in advising Your Lordship to reject in its favour the proposal of the Government of India.

Possible modifications of the proposals of the Government of India.

Possible modifications of proposals.

146. Your Lordship will observe that we have given most careful and anxious consideration to the objections which have been urged against the scheme of the Government of India; we feel that some of them have weight, and we regret that, in the opinion of that Government, it should be necessary to propose a measure which would undoubtedly be attended with some risks and inconveniences. We proceed to consider whether, in case it were decided to adopt such a proposal as that made by the Government of India, it would be possible by any modifications to remove or diminish the objections to which we have referred.

Provision against a sudden great rise in exchange.

147. It appears to be desirable that any such scheme should afford security against any sudden and considerable rise of exchange. If the closing of the mints were thought likely to lead to such a rise, the opposition to the measure would, no doubt, be greatly augmented. In all probability the cessation of free coinage of silver would be immediately followed by a fall in the price of that metal. If at the same time exchange rose considerably, the divergence between the rupee and its intrinsic value would become at once very marked. The difficulty of maintaining the rupee at its higher exchange value might be increased, and the apprehensions of disaster which are entertained, even if they be exaggerated or unreal, would be intensified;

148. Moreover, the rise in exchange would be calculated to lead to a fall in the price of Indian produce. And, if this were seen to follow, and believed to be caused by the action of the Government, public opinion might be disturbed and the situation might become critical. The view has been expressed that, even though the native producers might not be likely to be actively hostile to a scheme which left prices unaffected, they would be far from indifferent, and the state of things might become dangerous if prices began to fall very sensibly.

149. What, then, would be the effect of the scheme suggested by the Government of India? Closing the mints, even if the Government of India were to issue the proposed notification that gold coins would be made legal tender at a rate of 13⅓ rupees to the sovereign, might bring about a rise in exchange to the level thus indicated, *viz.*, 1*s.* 6*d.* per rupee. It is true that those who think that exchange would not, for a considerable time, rise at all, and that even the existing ratio might not be maintained, may be right in their anticipations. But it must be admitted that on such a point no one can predict with certainty, exchange might rise suddenly and considerably unless the Government were to interfere actively to prevent it, and the public would not feel any certainty as to the course they would take.

Ratio for coinage of rupees on tender of gold at the mints.

150. The scheme might, however, be so modified that the exchange could not immediately rise much above its present level. It might be provided that the mints should be closed to the public for the coinage of silver, but should be used by the Government for the coinage of rupees if required by the public in exchange for gold at a ratio to be fixed, in the first instance, not much above that now prevailing, say, 1*s.* 4*d.* the rupee. Any fear of a considerable rise would thus be allayed, and any evil effects of such a rise would be prevented. Moreover, even if silver fell, the divergence between the nominal and the intrinsic value of the rupee would not be so great as if exchange at the same time rose. There would be these additional advantages: First, the currency would not cease to be automatic. Next, it would be a less violent step than closing the mints altogether. They would practically remain open, subject to certain conditions. It would be the smallest departure from the *status quo* which could accomplish the object the Government of India have in view. Besides these advantages, there would be the further gain, that it would still leave the volume of the rupee coinage dependent on the wants of the people of India; and the fact that rupees might continue to be coined would tend to prevent silver falling as much as would be the case if it were supposed that the coinage of rupees was to cease altogether.

151. The Government of India have expressed the opinion that there would be no practical difficulty in carrying such a modified scheme as this into effect. It would not, of course, be essential to the plan that the ratio should never be fixed above 1*s.* 4*d.*; circumstances might arise rendering it proper, and even necessary, to raise the ratio; and the Indian Government might be empowered to alter it with the sanction of the Secretary of State. Such a scheme would, indeed, in the first instance, be tentative, and would not impede further action if circumstances should render it desirable.

Acceptance of gold coins in payment of public dues.

152. It would be consistent with the scheme, and would serve as a means of familiarising the public with the use of a gold currency, if the Government were to accept gold coins at the same ratio in payment of all dues.

153. Inasmuch as the course to be pursued in relation to the matter referred to us will come before Her Majesty's Government for decision, the Chairman thinks it right to abstain from taking any part in determining what recommendations should be made to Your Lordship.

154. We desire to express our high appreciation of the benefit conferred upon us by the appointment of Mr. Waterfield to act as Secretary to the Committee. His knowledge, ability, and zeal have been of the greatest assistance to us throughout our protracted deliberations.

HERSCHELL.
LEONARD COURTNEY.
T. H. FARRER.
REGINALD E. WELBY.
ARTHUR GODLEY.
R. STRACHEY.
B. W. CURRIE.

Recommendations of the Committee.

Recommendations of the Committee.

155. It remains for us to state the conclusions at which we have arrived. While conscious of the gravity of the suggestion, we cannot, in view of the serious evils with which the Government of India may at any time be confronted if matters are left as they are, advise Your Lordship to overrule the proposals for the closing of the mints and the adoption of a gold standard, which that Government, with their responsibility and deep interest in the success of the measures suggested, have submitted to you.

156. But we consider that the following modifications of these proposals are advisable. The closing of the mints against the free coinage of silver should be accompanied by an announcement that, though closed to the public, they will be used by Government for the coinage of rupees in exchange for gold at a ratio to be then fixed, say, 1*s.* 4*d.* per rupee; and that at the Government treasuries gold will be received in satisfaction of public dues at the same ratio.

157. We do not feel ourselves able to indicate any special time or contingency when action should be taken. It has been seen that the difficulties to be dealt with have become continually greater; that a deficit has been already created, and an increase of that deficit is threatened; that there are at the present moment peculiar grounds for apprehension; and that the apprehended dangers may become real with little notice. It may also happen that if action is delayed until these are realised, and if no step is taken by the Indian Government to anticipate them, the difficulty of acting with effect will be made greater by the delay. It is obvious that nothing should be done prematurely or without full deliberation; but, having in view these considerations, we think that it should be in the discretion of the Government of India, with the approval of the Secretary of State in Council, to take the requisite steps if and when it appears to them and to him necessary to do so.

LEONARD COURTNEY.
T. H. FARRER.
REGINAND E. WELBY.
ARTHUR GODLEY.
R. STRACHEY.
B. W. CURRIE.

HENRY WATERFIELD,
Secretary.

It seems to me that our judgment of what the Home Government should do in reference to the proposals of the Government of India must depend upon the view we take of the cause of the divergence in value that has arisen between gold and silver. The Indian Government has to make large annual payments in gold, whilst its receipts are in silver. Has gold become more valuable in itself, or silver less valuable in itself, or if both movements have happened, which has been relatively greater? If gold has become more valuable, the burdens of India have become greater than was contemplated or intended, and we must ask ourselves whether they can be in any degree

reduced. If silver has become less valuable, the taxation of India is made lighter, and we may freely examine the means, direct or indirect, of raising it. If an intermediate hypothesis is adopted, our way of viewing the problem must be modified accordingly. In our Report we have not examined this preliminary question, but I hold it the first to be determined. For reasons upon which I do not now enter, I have come to the conclusion that the divergence between gold and silver has been to a large extent due to an appreciation of gold; and this opinion necessarily affects my judgment of the policy of the Indian Government, which is to adopt a gold standard instead of one of silver. This is to accept as unalterable, if not to intensify, the aggravated burden thrown upon India. It may be that no other course is possible, but the Home Government should ask itself whether it is through its own action that no other course is possible, and whether the Indian Government might not propose a very different course if there was any chance of its being favourably considered by the Supreme Government. I am myself drawn to the conclusion that the Home Government is the greatest obstacle—perhaps the only substantial obstacle—to the establishment of an international agreement for the use of silver as money, which, without attempting to restore the position of twenty years since, would relieve India from the anxiety of a further depreciation of its revenue in relation to its liabilities. The problem may be thus stated:—The Indian Government asks permission to adopt a certain course, but, as is well understood, not the course it would of its own free will first desire to be adopted. In considering whether the course actually proposed should be sanctioned, we cannot refuse to consider whether there are invincible obstacles to the entertainment of the course which would be the first preference of India.

If I am to put aside the previous question, and confine myself to the proposition whether the Indian Government should be allowed to suspend the free coinage of silver, so as to enhance the value of the coined rupee till it reached a certain relation to the sovereign, such as 1 to 15 (1*s.* 4*d.*) or 1 to 13⅓ (1*s.* 6*d.*), I concur in the report of my colleagues, subject to the following reservation:—In paragraph 139 I think we have overrated the difficulty and delicacy of the administrative function involved in the plan there discussed. I believe action would be fairly simple if the plan were practically tackled. The mints of India are not so numerous as to prevent a daily telegraphic message of the seigniorage to be charged, if such frequency should be deemed necessary. The embarrassment to which a person in London wishing to make a remittance in India would be exposed from his uncertainty as to what the

seigniorage would be when silver reached an Indian mint would be of the same character as his present embarrassment in not knowing what the exchange would be when silver reached India if he sent it out.

LEONARD COURTNEY.

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1. In the year 1878 the Government of India made a proposal that the mints should be closed against the free coinage of silver until the rupee should rise in value to 2*s.*, or one-tenth of an English sovereign. In making this proposal, and on other occasions, the Indian Government expressed themselves in very strong terms* concerning the dangers and difficulties, present and prospective, caused to India by the fall in silver. A Committee appointed by the Secretary of State, of which we were members, reported unanimously against the abovementioned proposal, and it was rejected by the Home Government.† Further experience shows that, whilst the views expressed by the Government of India concerning the future of silver have been fully justified by the fall which has since taken place, the present condition of India is scarcely such as to justify their estimate of the difficulties and dangers to the country which they believed would arise from it.

* See despatch of 9th November 1878, para. 22, and despatch of 4th September 1886, para. 24.

† See Treasury letter of 24th November 1879.

2. The following facts relating to the recent progress of India are taken from a paper read by Sir W. Hunter (one of the greatest existing authorities on the subject) at the Society of Arts on the 16th February 1892 :—

"Between 1881 and 1891 the whole number of the army had been raised from 170,000 to 220,000, and the number of British soldiers in it from 60,000 to 71,000, or including reserves, volunteers, &c., to very much more. Many large and costly defensive works had been constructed both on the North-West frontier and on the coasts. In recent years almost all public buildings have been reconstructed on a large scale.

"Railways, both military and commercial, have been very greatly extended. Notwithstanding these extraordinary expenses, there were during the 25 years which followed 1862, 14 years of surplus and 11 years of deficit, yielding a net surplus of Rx 4,000,000. In 1889 the public debt of India, exclusive of capital invested in railways, showed a reduction since the mutiny period of Rx 26,000,000. The rate at which India can borrow has been reduced from 4 or 5 per cent. to a little over 3 per cent. The revenue of India, exclusive of railways and municipal funds, has grown between 1856-57 and 1886-87 from Rx 33,378,000

to Rx 62,859,000, and in 1891 it had increased to Rx 64,000,000, or, including railways and irrigation receipts, to Rx 85,750,000, and this increase is due to the growth of old revenue rather than to new taxation. Further, whilst the rent or land tax paid by the people has increased by one-third, the produce of their fields has more than doubled in consequence partly of higher prices, and partly of increase in cultivation. Further, in 1891, there were nearly 18,000 miles of railway open, carrying 121,000,000 of passengers and 26,000,000 tons of goods, and adding a benefit to the people of India, calculated as far back as 1886, at Rx 60,000,000. Further, the Indian exports and imports at sea, which in 1858 were about Rx 40,000,000, amounted in 1891 to about Rx 200,000,000, and the produce thus exported has increased in quality and variety no less than in amount."

3. Considering facts such as these, we should even now have difficulty in recommending the closing of the Indian mints against the free coinage of silver if it were not for the circumstance that a further heavy fall in silver is possible, and in certain contingencies imminent, and that any such fall may bring with it mischiefs and difficulties much greater than any which have yet been experienced.

4. Under these circumstances, having regard to the part we have already taken in this matter, as well as to the present exigencies of the case, we are anxious to state more fully and explicitly than is done in the report we have signed what is the full effect of the immediate step which we have agreed in recommending, and what precautions are in our opinion desirable with a view to its ulterior consequences.

The step recommended is that the Indian Government should be empowered to close the Indian mints against the free coinage of silver until the rupee rises in value, so as to stand at a given ratio with the sovereign; such ratio to be a little above the ratio which has been current, say 1*s.* 4*d.*, and that they should then be required to give rupees at that ratio for all gold brought to their mints. The immediate effect of this step will be to alter the Indian measure of value. As long as the Indian mint is open, the measure of value is the market value of the weight of silver contained in the rupee; but, as soon as the mint is closed, we can no longer be sure that this will be the case. Further, so soon as the rupee has risen to the given ratio, the fraction of an English gold sovereign represented by 1*s.* 4*d.* will become the measure of value. This is in itself a most important change.

5. To alter the measure of value by substituting one metal for another is at all times a matter of great gravity, and to do so at a time when the relations between the two metals are in a state of constant fluctuation renders the alteration still more serious.

6. It is, however, to be observed that the step which we recommend will produce the least possible immediate change. Its object is not so much to raise the gold value of the rupee as to prevent a further fall. It does not materially alter the present relations between debtor and creditor, but, on the contrary, prevents those relations being altered in the future by a further fall. Moreover, it provides a means whereby, in case there should be a demand for currency, that demand will be supplied automatically, and not at the discretion of the Indian Government.

7. This closing of the mints, however, is only the first step in the process contemplated by the Indian Government, and that process will not be complete until gold is made full legal tender, and is received into the Indian currency as freely as gold is received in England, or as silver is now received in India. This may be effected either by the free coinage of gold at the Indian mints or by the free reception under arrangement with the Imperial Government of gold sovereigns coined in England or in Australia as legal tender currency of India. When this is done the change will be complete, and India will then have a gold standard of value, and a gold automatic currency, the quantity of which will depend on the demand for it. What that demand may be is uncertain. Sir D. Barbour estimates the outside of the quantity needed to maintain the gold standard at 15,000,000*l.*, or one-fifth in value of the estimated present rupee currency. But, whatever the precise amount, the gold currency is not expected to be more than a small fraction of the actual currency in circulation.

8. This currency will consist of rupees, each of which is intended to circulate, not at the value of the silver contained in it, but at the value of the gold contained in the fraction of the sovereign (1*s.* 4*d.*) which it represents. With the exception of the small quantity of gold in actual circulation, the currency of India will thus become a token currency of unparalleled magnitude, and if the market value of silver should fall considerably, its value would become very much greater than the value of the silver contained in it. Under such circumstances, it will to a great extent resemble a paper currency, and, if it were not made exchangeable for gold on demand, would resemble in many respects an inconvertible paper currency. The question then arises whether it is certain that such a currency will be maintained at its gold value without further precautions.

9. It is no doubt true that, until the rupee has risen in value to this adopted ratio, the scheme will not have come into full operation, and that, when it has come into full operation, the restriction placed upon the issue of silver rupees will tend to keep the rupee currency at the fixed gold value. But it may well be

questioned whether this restriction is in itself a sufficient guarantee that this gigantic token currency will, under all circumstances, be kept at par value. Sir David Barbour himself holds that eventually, if the scheme is to be successful, gold when required must be given for the rupee either without a premium or at a small premium.

10. It is, of course, obvious that a great country like India, if she undertakes a token currency, must maintain its value and discharge her obligation by making it reasonably certain that, where gold is needed in exchange for rupees, it will be possible to obtain it at the fixed ratio.

11. It has been argued that this object might possibly be effected without requiring the Government of India to give gold for silver at that ratio, and without the public confidence in their ability to do this which would arise from their accumulating and possessing a stock of gold available for the purpose. Instances may, no doubt, be selected in which Governments have maintained their inconvertible token currency at, or nearly at, par without these precautions. But a silver token currency, though not in form a promise to pay, really implies an obligation to maintain its par value; and prudence as well as experience suggest that this obligation should be supported by the obvious means of fulfilling it.

12. The obligation on the Government to coin silver rupees when the rupee is at 1*s.* 4*d.* does not in itself carry with it a corresponding obligation on the Government to give gold for rupees. It may not therefore be necessary to provide a reserve of gold before that exchange is reached. If it is not reached under the measure proposed, no gold reserve will be needed; but if the measure is operative, gold will probably flow in, and will replace silver as the reserve against the Government paper issue. If gold thus flows in automatically, the Indian Government will be thereby enabled to accumulate a moderate reserve; but, even if it does not, a reserve should, we contend, be provided before the Indian Government takes the final step of announcing gold as the standard, coupled with the correlative obligation to give gold for silver.

13. What amount of gold reserve may be necessary it is difficult to say, but in order to have the desired effect, it must be substantial. Nor, considering that it will in all probability be generally resorted to for purposes of export, is it necessary to decide in what form or in what place it should be kept? The circumstances of India are favourable for the accumulation of the necessary stock. India imports more of the precious metals than she exports; her inhabitants no doubt possess already a stock of uncoined gold; and, if the Indian Government receive gold in

payment of debts due to them, gold ought to come to their treasuries.

14. At any rate, the expense necessary to procure and retain the requisite amount is one that cannot be avoided by any Government which desires to maintain the credit of its currency, and will be insignificant compared to the loss of which the Indian Government now complain.

15. Under these circumstances, we could not join in the recommendation contained in the report without at the same time recommending that the Government of India should, in view of the ultimate adoption of the whole of their plan, be prepared to secure the convertibility of their token silver currency, and should with that object accumulate a sufficient reserve of gold.

16. We think it right to add that the questions whether gold has become more valuable in itself or silver less valuable in itself, or whether both movements have taken place, and to what extent each movement has gone as well as the further question between bimetallism on the one hand and a universal gold standard on the other, are questions of which we have taken no notice, as we do not think that they fall within the scope of the reference to us.

T. H. FARRER.

R. E. WELBY.

While cordially concurring with the views of my colleagues so far as they support the proposals of the Government of India, I should have preferred to approve those proposals without imposing the condition that the closing of the mints should be accompanied by an announcement that rupees will be coined in exchange for gold at the ratio of 1*s.* 4*d.*

It will be admitted that in a matter of this kind the minimum of State interference is desirable.

The only excuse for any action on the part of Government is that the evils from which they are suffering are becoming intolerable, and that, apart from the closing of the mints, no practical remedy has been proposed or is attainable.

In my opinion the proper course for Government to adopt is to issue a proclamation to the effect that,—

Having regard (1) to the redundancy of silver money in India as evidenced by the accumulation of rupees and paper currency in the banks, and (2) considering the uncertain policy of other nations with respect to silver, the Governor-General in Council has resolved to suspend for the present the coinage of silver.

One effect of such a measure must necessarily be that the London exchange banks in tendering for Council bills will be compelled to quote the price in sterling which they are willing to pay. Another probable effect will be that gold will be sent to India in increased quantity on private account in order to be exchanged into rupees; and it appears to me that the price in each of these cases, when extended over a considerable period of time and after a certain degree of stability has been attained, will afford the best guide to Government in estimating the gold value of the rupee, whenever they are called upon to open their mints to the coinage of gold.

The Government of Austria-Hungary closed their mints to the free coinage of silver in 1879, but did not declare a ratio between gold and silver till 1892. It seems likely that an interval of time more or less prolonged may elapse before the Government of India will be in a position to declare a ratio, having regard to the great uncertainty of the effect which its action may produce upon the rate of exchange.

I prefer to leave full discretion to that Government to take such measures as occasion may require and experience may dictate, subject to the consent of the Secretary of State in Council.

I fear that any arbitrary action on the part of Government in a matter respecting which it is impossible that all the facts can be present to their consideration might lead to reclamations both from the public creditor and from others whose interests depend upon Indian exchange, and I am unwilling to take the responsibility of attempting to fix a rate if the object can be practically accomplished by the natural action of the market.

Moreover, I fail to see what advantage would be gained by selecting the ratio of 22·37 to 1 (one and fourpence the rupee) rather than that of 18·22 to 1, which has been adopted with apparent success in Austria, or that which is in use among other nations.

If, contrary to expectation, exchange should rise suddenly in an inconvenient degree, I would meet the difficulty in the way proposed by the Government of India (quoted at paragraph 47 of the Committee's Report) by declaring that English gold coins shall be legal tender in India at a rate to be fixed by them.

B. W. CURRIE.

THE GAZETTE OF INDIA EXTRAORDINARY.

LEGISLATIVE DEPARTMENT.

Simla, the 26th June, 1893.

The following Act of the Governor-General of India in Council received the assent of His Excellency the Governor-General on the 26th June, 1893, and is hereby promulgated for general information:

ACT No. VIII OF 1893.

An Act to amend the Indian Coinage Act, 1870, *and the Indian Paper Currency Act,* 1882.

Whereas it is expedient to amend the Indian Coinage Act, 1870, and the Indian Paper Currency Act, 1882; It is hereby enacted as follows:—

Title and commencement.

1. (1) This Act may be called the Indian Coinage and Paper Currency Act, 1893; and

(2) It shall come into force at once.

Repeal of existing enactments.

2. The enactments specified in the schedule shall be repealed or modified to the extent and in the manner mentioned in the third column thereof, but no such repeal or modification shall affect anything already done or any right or obligation heretofore acquired or undergone under the said enactments or any of them.

ABSTRACT

Of the Proceedings of the Council of the Governor-General of India, assembled for the purpose of making Laws and Regulations under the Provisions of the Acts of Parliament 24 *&* 25 *Vict., Cap.* 67, *&* 55 *&* 56 *Vict., Cap.* 14.

The Council met at Viceregal Lodge, Simla, on Monday, the 26th June, 1893.

PRESENT:

His Excellency the Viceroy and Governor-General of India, G.C.M.G., G. M. S. I., G. M. I. E., *Presiding.*

His Honour the Lieutenant-Governor of the Punjab, K. C. S. I.
His Excellency the Commander-in-Chief, K. C. B., G. C. I. E., V. C.
The Hon'ble Sir P. P. Hutchins, K. C. S. I.
The Hon'ble Sir D. M. Barbour, K. C. S. I.
The Hon'ble Sir A. E. Miller, KT., Q. C.
The Hon'ble Lieutenant-General H. Brackenbury, C. B., R. A.
The Hon'ble Sir C. B. Pritchard, K. C. I. E., C. S. I.
The Hon'ble J. L. Mackay, C. I. E.
The Hon'ble A. S. Lethbridge, M. D., C. S. I.
The Hon'ble W. Mackworth Young, C. S. I.

INDIAN COINAGE ACT, 1870, AND INDIAN PAPER CURRENCY ACT, 1882, AMENDMENT BILL.

The Hon'ble Sir David Barbour said:—I have an important Bill to introduce which affects the Indian monetary standard; and as it is essential that the Bill should, if approved, be passed at the present sitting of this Council, I beg that the Standing Orders may be suspended.

His Excellency the President declared the rules to be suspended.

The Hon'ble Sir David Barbour said:—I now move for leave to introduce a Bill, which is intended to amend the Indian Coinage Act, 1870, and the Indian Paper Currency Act, 1882, with the object of altering the Indian monetary standard from silver to gold. It is not intended to do more at present than to stop the free coinage of silver at the Indian mints, and, as a provisional arrangement, to provide for the issue of rupees at those mints in exchange for gold at the rate of 1*s* 4*d*. per rupee. The making gold coins legal tender, the settlement of the permanent rate of exchange between gold and the silver rupee, and the other measures necessary for the final and effective establishment of a gold standard in India will be provided for by future legislation, and in the light of future experience.

If it had fallen to my lot to introduce this Bill some twenty years ago, I have no doubt that it would have been received with some surprise, and would have met with considerable opposition. It certainly would have been necessary for the mover of such a Bill to explain at great length the nature of a monetary standard, the dangers which might be expected if India maintained a silver standard, and the advantages to be gained by substituting gold for silver, and it would have been difficult at that time to have brought forward arguments in support of so momentous a change which would have commanded general assent.

The events of the last twenty years, and the discussions to which they have given rise, have, however, greatly simplified my task. We are only too familiar with the evils from which we have suffered in recent years, and the gloomy prospects before us, if we retain a silver standard, are fully recognised.

Nevertheless, the question of the monetary standard is surrounded by so many difficulties, and the change which it is now proposed to make will have such far-reaching results, that I must trespass on the patience of the Council while I review, as briefly as may be, the history of the use of the precious metals as money, and show in what way, and under what circumstance, we have arrived at our present position; what lies before us if we retain the silver standard, and why it is that Her Majesty's Government and the Government of India have come to the conclusion that we must attempt the formidable task of altering the Indian monetary standard from silver to gold.

Very many articles have been used as a standard of value in different countries and at different times, but for reasons which will be found in any work on money, and which I need not enumerate, gold and silver were soon discovered to be the best materials

for use as a standard of value and medium of exchange in countries which had any pretensions to civilisation, and they came to be known, in a special sense, as the precious metals. There is no doubt that in the first instance they passed from hand to hand by weight, as they still do in many parts of China.

In countries where both metals circulated in this manner trouble and confusion arise, as they have arisen in the present day, from variations in the relative value of the two metals. The rulers of such countries found it necessary to declare the ratio of exchange at which gold and silver would be received in payment of taxes or tribute. The ratio which was declared was not an arbitrary ratio, but was approximately the market ratio of the day, and the object of declaring it was to prevent disputes between the persons who collected taxes and those who paid them, and no doubt, also, to get rid of the risk of fraud on the part of tax-collectors. The fixing of a ratio had, as we now know, a remarkable influence under certain conditions, in preventing or limiting fluctuations in the relative value of the two metals and producing comparative stability, and the practice to which I have just referred, is the origin of what has been known in recent years by the somewhat awkward name of bimetallism—a system which has prevailed, in a more or less imperfect form, from the earliest time up to a very recent period.

I shall have occasion to refer at a later period to this system of using both metals at a ratio declared by authority; but for the present I pass to the next great step in the development of the standard of value and medium of circulation, namely, the introduction of the practice of coining. I need not enlarge on the advantages which resulted from the introduction of this reform, as the convenience is obvious of having the weight and fineness of the pieces of metal in daily use as a circulating medium certified by authority.

One invention leads to another, and from the introduction of the practice of coining and of the issue of coined money by authority sprang the idea of legal tender.

In very early times a creditor could demand his shekel of fine silver, but subsequently he became entitled under the law only to what the ruler of the country or his officers certified to be a shekel of fine silver.

The most valuable inventions are liable to be abused, and the invention of coined money issued as legal tender has not proved an exception to the rule. As rulers in early times were subject to little restraint, and not usually more enlightened than their subjects, they were readily induced to make a profit by certifying, as (say) a shekel of silver, a coin which contained less than the full quantity of metal. It was an easy transition from a debased coin to a coin made of a totally different metal, and from that to something which was neither coin nor metal.

The best example of proceedings of this nature with which we are familiar in the present day is the issue of what is called inconvertible paper money; or, in other words, pieces of paper which the Government of the day declares to be legal tender, but

which are not convertible into coin, and which depend for their value partly on the limitation of the quantity issued, and partly on the hope that they may some day be made convertible into coin on demand.

I have now shown that the progress towards a monetary standard, as the phrase is understood in the present day, has consisted of a few simple steps, which, however, required thousands of years for their accomplishment and for the general recognition of their utility.

Among these steps was the fixing of a ratio, or rather the declaring by authority of the existing ratio, between gold and silver with the object of facilitating monetary transactions in countries where both gold and silver money circulated.

This practice had an important secondary effect in tending to maintain stability of relative value; it has only been generally abandoned during the last twenty years, and it is the abandonment of this system which has plunged us into our present difficulties in India. It is useless for us to discuss at the present time whether that change of practice was, or was not, a beneficial reform, or whether or not it could have been avoided. There are those who hold that the change was, or will be, beneficial, and that it was an inevitable step in the progress of the world towards a perfect monetary standard. There are others who hold that it was a rash and dangerous innovation, and that the sooner we retrace our steps the better.

I express at the present time no opinions on this question; it is sufficient for our purpose to note the fact that the change was made; that serious consequences have flowed from it which were not foreseen; and that it has plunged India into a sea of monetary troubles.

The Government of India have failed in their efforts to induce the great nations of the world to establish the old system, and it is not the business of practical statesmanship to waste time in vain regrets for what might have been in the past, but rather to accept the inevitable and devote attention to making the most of the present and the future. As, however, this important departure from the old system of double legal tender has had serious consequences during the past twenty years, as the consequences of the change are not yet exhausted, and as it is this change which has led to the present proposal to alter the Indian standard from silver to gold, I consider it necessary to note, as briefly as I can, the course of events which led up to it, and brought it about.

In the middle ages the monetary standard of England was silver, and it was not till the reign of Edward III that a successful attempt was made to put gold coins into circulation. But from that time both gold and silver coins continued to circulate in England, the ratio of exchange between them being declared from time to time by Royal authority. The legal standard of the country continued to be silver, but coins of both metals were in circulation and were frequently debased, and the ratio of exchange altered.

What I have just said of England might, I believe, be said with equal truth of most European countries at that time. The

inconvenience and loss to honest traders must have been enormous, and such as would not be borne for a day at the present time. Business was, however, conducted on very different principles from those which now prevail; the margin of profit was larger, and those who made their living by trade and commerce had to take things as they found them, since they possessed no means of applying a remedy. Our gigantic modern system of manufacture, trade and finance would have been simply impossible under such standards of value as the traders of former times had to accept.

Among other fallacies which prevailed in those days, it was commonly held that the wealth of the country depended on the quantity of gold and silver money which it contained. The measure of wealth had come to be mistaken for the wealth itself. It was quite a common practice for a ruler to deliberately overvalue the gold coins, with the intention of attracting gold from foreign countries, and great surprise was experienced when it was found that the overvaluation of gold necessarily involved the undervaluation of silver, and that though gold was attracted by this device, silver was exported to an equal extent, and no alteration was effected in the aggregate quantity of gold and silver contained in the country. Laws were passed against the export of both gold and silver, but such laws were, of course, easily evaded.

It is difficult to imagine a more exasperating state of things than that under which both gold and silver circulated in different countries at rates fixed independently by the ruler of each country, and altered from time to time with the object of attracting gold or silver from neighbouring countries. These evils appear to have reached a climax in England in the reign of James I. There is no doubt but that the large influx of silver from America after the year 1545 tended to lower the value of that metal, but it has always seemed to me that the great alteration in the relative value which took place between 1620 and 1650 was largely due to the meddling with the legal ratio which took place in England and adjoining countries at that time. There was no such alteration in the relative production of the two metals during those years as would suffice to account for it.

After 1660 there was no serious fluctuation in relative value down to comparatively recent times—a fact which I ascribe to the growing recognition of the futility of attempting to attract the precious metals from other countries by altering the legal ratio.

In the reign of William III, however, events occurred which have had a most important influence in shaping the monetary policy of Europe in the present century, and which require special notice. In that reign the currency of England fell into the most extraordinary state of confusion owing to the fraudulent clipping of the silver coins, and the gold coins commanded a very high premium for a time. When the debased coins were called in and new and full-weight coins were issued in their place, great trouble was experienced in reducing the premium on guineas. This premium was gradually brought down by executive order, but the final order left the guinea overvalued as compared with the silver coins, with the inevitable result that the new and full weight silver coins were exported, and the currency of England became gold

coins, supplemented by light-weight silver coins, which it was not profitable to export. The legal standard of the country continued to be silver.

This state of things lasted till 1798, when the value of silver fell relatively to gold, and it once more became profitable to bring silver to the mint to be coined. By this time the English people had become accustomed to the use of gold, and an Act was passed expressly prohibiting the free coinage of silver.

In the beginning of the present century the currency of England was composed of inconvertible and depreciated paper, and when, after the close of the great war with Napoleon, a return was made to specie payments, the legal standard of England was declared to be gold, mainly, I believe, on the ground that by their use of gold instead of silver for over 100 years the English people had shown their preference for that metal. That the people preferred gold to silver as currency at that time was probably correct, but that preference arose from their having been accustomed to use gold for over 100 years, and they were accustomed to use gold because gold had been overvalued in the first instance, and not, as has been sometimes said, because they were originally so strongly attached to gold that debtors preferred to pay their debts in gold at a loss to themselves rather than use silver. There never has been in the history of the world, and there never will be, until human nature ceases to be what it is, a case in which of two sets of coins circulating side by side the dearer will drive out the cheaper.

The formal adoption of a gold standard by England had no appreciable effect on the relative value of the two metals, because the majority of nations still adhered to the silver standard, and the system of double legal tender prevailed extensively, especially in France, where there has always been a great store of the precious metals.

This state of things lasted till the year 1873, and notwithstanding the great increase in the production of gold, owing to the discoveries in California and Australia, the disturbance in value was comparatively slight. So great was this stability that its continued existence came to be accepted almost as a law of nature, which would never be broken; and an eminent economist—Professor Cairnes, of whom I desire to speak with the greatest respect—actually placed the following opinion on record in the year 1872:—

"I may now say (1872) that I am disposed to assign much less importance to this question of a change in the monetary standard of India than I did when the above passage was written. The reasoning assumes the probability of a serious divergence in the relative value of gold and silver, but I now believe that such a divergence is practically out of the question."

I call special attention to the fact that this opinion was placed on record by one of the ablest economists of the present century in the year 1872, or, in other words, just before the beginning of those fluctuations in the relative value of the precious metals, and of that depreciation of silver as compared with gold which have brought this country within a measurable distance of bankruptcy. We can now see that in reality the position in 1872 was

full of danger. Gold and silver were both used as standard money, and divided the monetary work of the world between them; for a long period there had been comparative fixity of relative value between the two metals, but the causes of this steadiness, the importance of maintaining it, and the readiness with which it could be destroyed were, practically, unrecognised and unknown.

On the other hand, the eminence which England—the sole gold-using country of any importance—had attained in manufactures, commerce, and finance, had unconsciously led many people to believe that there must be some special virtue in the gold standard; and as there seems to be a prejudice in favour of the metal which contains most value in little bulk, and gold had become relatively much more abundant than in former times, the monetary system of the world was in what may be termed a state of unstable equilibrium, and we were on the eve of changes which have produced a monetary revolution which is still in progress, and the force of which is far from being exhausted.

We all know how the change was brought about. Germany altered her standard from silver to gold. France and the other States of the Latin Union closed their mints to silver. The United States, where the currency was for the time inconvertible and depreciated paper, abandoned the system of double legal tender, a change which had the most serious results when a return was made to specie payments.

Other nations followed in the same direction, and in India we were suddenly brought face to face with the great currency problem in the most disagreeable form by finding that the gold prices of silver fell, while the exchange on England went down and became subject to excessive fluctuations.

It so happened that I was employed in the Finance Department of the Government of India at the time, and my recollection is that, in the first instance, the general impression was that the mischief was due to the great Comstock Lode, which was supposed to be pouring out unlimited quantities of silver. Discussions and inquiry followed, and gradually it came to be recognised that probably the most momentous currency change that has ever taken place had been carried out with, I may say, the most complete failure on the part of the civilised world to recognise the nature of the change, or to appreciate the consequences that must follow. The question has been investigated by a Special Committee of the House of Commons and by a Royal Commission. It has formed the subject of three International Conferences, and given rise to a flood of currency literature. I will not say that no progress has been made in the education of the public mind, for I am satisfied that very much light has been thrown on the problem by the discussions that have taken place during the last twenty years; but, I am sorry to say, increase of knowledge has not led to unanimity of opinion, and, what is more to be regretted, it has not led to the application of any remedy.

The disputants may roughly be divided into two camps—those who urged that the world should return to the old system of double legal tender, and those who maintained that financial salvation was not to be found outside the pale of monometallism.

The thorough going monometallists advocated the gradual extension of a single gold standard to the whole civilised world, silver having become, in their opinion, a discredited metal, no more worthy to be treated as a standard of value than cowries or cockle-shells. Another, and I believe a larger, section of the gold camp favoured the adoption of the gold standard by one-half the world, and of the silver standard by the other. The latter proposal always appeared to me to be wanting in the elements of finality. It would have left the civilised world exposed to the evils of a break of monetary gauge, and I was unable to discover any good principle on which it could be decided what countries should adopt the gold standard and what countries should adopt the silver standard, or how a country could be prevented from deserting from one standard to the other with all the attendant monetary disturbance which necessarily results from such changes.

It was said at one time, and I believe quite seriously, that all the rich countries should choose gold, and poor ones silver. It is instructive to form a mental picture of the proceedings of an International Conference, assembled for the purpose of settling the monetary affairs of the world in accordance with this remarkable principle. Unanimity of opinion would, for the first time in the history of such Conferences, be secured; but it would be secured by the representative of every nation declaring that he appeared on behalf of an undoubtedly wealthy and solvent community, and one that was determined to march in the van of civilisation. If by any accident a nation could have been found willing to admit that it was too poor to enjoy the luxury of a gold standard, it would have been necessary for it, in order to maintain the currency equilibrium, to admit not merely that it was poor in the present, but that it intended to remain poor in the future, as any access of wealth at a future date would have involved the adoption of the more fashionable standard.

For my part I have always recognised that there was no permanent halting place between a return to the old system of double legal tender and the gradual extension of a gold standard to all civilised countries.

In the very first Financial Statement which I had the honour to deliver in this Council, I made the following remark: "

"It is needless to say that the question of the future relations between the gold and silver standards is one of great importance for India. The present condition is not one of permanent equilibrium. Either there will be continuous progress in the direction of demonetising silver, and substituting gold, or the world will revert to the old system of double legal tender."

In the twenty years, during which the Battle of the Standard has raged, no practical measures have been taken for the purpose of restoring the old stability of value between the precious metals, and the only measure that has been adopted with the view of maintaining the value of silver is the purchase of that metal by the United States. That country has made a great effort to maintain the value of silver, firstly, by large purchases under what was known as the Bland Bill, and latterly by still larger purchases under the Sherman Act. As it happens the purchases of silver by the

United States have latterly been contemporaneous with one of those great increases in the production of that metal of which the history of the precious metals affords several examples. The Government of India have also kept open the mints, and in recent years India has absorbed a very large amount of silver. But the crisis to which I called attention in March 1889 has at length arrived. No International Agreement has been obtained ; Austria-Hungary and Roumania have definitely adopted the gold standard, and Russia is known to have accumulated large quantities of that metal. When I explained the financial position of the Government of India at the beginning of the current year, I had to point out that in two years the fall in the rate of exchange had added Rx 4,142,000 to the Indian expenditure. Gloomy as was the account which I then rendered to this Council, I am far from suggesting that the case was hopeless if only we could have secured some stable rate of exchange. . On the contrary, I am satisfied that if exchange did not fall below the very low figure taken in the Budget, or if it did not fall materially below that figure, there would have been no insuperable difficulty in the way of restoring financial equilibrium. But the really serious feature of the case was that there was no reason for hoping that exchange would not fall below the very low figure of last March, and that there was, and could be, no guarantee against frequent and excessive fluctuations. Above all, we were exposed to the risk that the United States might suddenly cease to purchase silver. I estimate that, if these purchases very suddenly stopped, India would have to absorb a further sum of about Rx 8,000,000 worth of silver yearly, and an additional burden of this magnitude suddenly thrown on India's trade with Europe would have a depressing effect on exchange, the extent of which it is impossible to foresee. The additional expenditure imposed on India by this cause would have brought us to national bankruptcy, or within a measurable distance of it.

It has been urged upon me by an authority upon questions of Indian currency, and one whose opinions I highly value, that even in the case I have supposed it would be better for India to repudiate her obligations, and accept bankruptcy rather than attempt to change her standard. That opinion I do not share, although I have been a bimetallist for years, am still a bimetallist, and am by no means certain that the Battle of the Standard will be finally closed by any measure this Council may pass to-day, or even by the cessation of her silver purchases on the part of the United States of America. For weal or woe, India has entered the ranks of civilisation. Her territory has been opened up by railways, the progress of human invention has brought her into close and daily contact with the great countries of the West; her trade and commerce increase year by year, and the tide has so far turned in her favour that she has made a most promising beginning in the export of manufactured goods. The adoption of the same standard of value as that of the countries with which she maintains intimate financial and commercial relations, and whom she hopes to rival, is a necessity of further progress, and the discredit of national bankruptcy cannot and will not be accepted on her behalf.

The Government of India have striven long and earnestly for such a settlement of the currency question as would leave India in

possession of the monetary standard to which she has been accustomed, and they have striven unsuccessfully. In the opinion of Her Majesty's Government the time has come to take a new departure.

A recital of the efforts which have been made by the Government of India during the last twenty years for a settlement of the monetary question would be a dreary catalogue of repeated failures. No practical purpose would be served by recalling them to mind at the present time; but it may not be uninteresting to the general public to call attention to the recent proceedings which have led up to that decision to establish a gold standard in India which I am now explaining to this Council.

In the beginning of 1892 the Bengal Chamber of Commerce called the attention of the Government of India to the fluctuations in the relative value of gold and silver, and, with reference to the fact that the United States had invited the different powers to a Conference for the purpose of considering the monetary question, the Chamber urged that the Government of India should promote an International Agreement for the free coinage of gold and silver at a fixed ratio, and that, failing any such agreement, steps should be taken to have the question of a gold standard for India carefully and seriously considered by competent authorities. The Government of India practically accepted the views of the Chamber, and recommended to the Home Government, firstly, that if the United States of America or any other Government should make proposals for the holding of an International Conference for the settlement of the silver question, the strongest support should be given to those proposals; and, secondly, that if it became evident that the International Conference was unlikely to arrive at a satisfactory conclusion, and if a direct agreement between India and the United States was found to be unattainable, the Indian mints should be closed to the free coinage of silver, and arrangements made to introduce a gold standard. An International Conference was duly held, and the representatives of India took part in it; but no conclusions, satisfactory or otherwise, were arrived at, and no separate agreement between India and the United States was concluded. In the meantime, and before the International Conference met, a Committee was appointed, under the presidency of Lord Herschell, to advise as to whether it was expedient that any steps should be taken to modify the Indian Currency Act. This is the Committee which has attracted so much attention in India, and which has recently made its report to the Secretary of State.

It will be understood that the attention of this Committee was not directed to the question of the expediency or feasibility of obtaining a remedy by means of a general International Agreement, or by means of an agreement between India and the United States, but solely to the question of the expediency of attempting to establish a gold standard in India, that being the remedy which the Government of India had advocated in the last resource, and failing the other suggested remedies. The question referred to the Committee is thus stated in the first paragraph of their report:

"The question referred to the Committee by Your Lordship is whether, having regard to the grave difficulties with which the

Government of India are confronted through the heavy fall in the gold value of silver, it is expedient that Her Majesty's Government should allow them to carry into effect the proposals which they have made for stopping the free coinage of silver in India, with a view to the introduction of a gold standard; and if we are of opinion that there is no sufficient ground for overruling the Government of India, but that the measures by which they propose to attain their object require modification, we are asked to offer any suggestions that we may think fit for the purpose."

Th practical measures which the Government of India had proposed for the introduction of a gold standard into India, assuming that the other suggested remedies had failed, were the following:

1*st*, the stoppage of the free coinage of silver at the Indian mints by legislative enactment;

2*nd*, the grant of power to the Government of India to declare by notification that sovereigns were legal tender in India at any rate not exceeding 1*s*. 6*d*. per rupee.

It was not proposed that the mints should be opened to the free coinage of gold as soon as they were closed to silver, or that a ratio should be declared at once between gold and the rupee; but it was intended that the effect of closing the mints should be watched for some time, and, if it were found that the rate of exchange was rising to an extent which was injurious to the welfare of the country, that the Government should interfere at once, and check the rise by declaring the sovereign to be a legal tender at a certain rate. The highest rate which the Government of India were to be authorised to declare under any circumstances was 1*s*. 6*d*. per rupee.

The Committee discussed the question of a gold standard for India in all its bearings. Their report will be published to-day in India, and to that report I must refer those who wish for full information on the subject. They came to the conclusion that although there are objections which possess weight to any attempt being made to introduce a gold standard into India, yet, in view of all the circumstances of the case, this is the course that should be adopted, and they proposed one modification of the scheme put forward by the Government of India. The Government of India had proposed to close the Indian mints to the free coinage of silver, to take power to declare the sovereign to be a legal tender at a rate not exceeding 1*s*. 6*d*. per rupee, and to await the result of closing the mints and be guided by the experience thus obtained in deciding on future action.

To these proposals objection was taken on the ground that if the mints were simply closed and no further steps taken, there might be a sudden and considerable rise in exchange which would have injurious consequences and excite apprehension in the public mind. For these reasons the Committee recommended that, as soon as the mints were closed to silver, arrangements should be made for the issue of rupees at the Indian mints in exchange for gold at the rate of 1*s*. 4*d*. the rupee, and for the receipt of sovereigns at the Indian treasuries in payment of Government dues, at the rate of fifteen rupees per sovereign. These proposals have been accepted by the Government of India and approved by Her Majesty's Government, and the Bill which I now propose to introduce is intended to give practical effect to the scheme.

The Bill which I am about to introduce provides for the closing of the Indian mints to the free coinage of silver, Government retaining the power to coin silver rupees on their own account.

Arrangements for the receipt of gold at the mints at a ratio of 1*s.* 4*d.* per rupee will be made by executive order, and so will the arrangements for the receipt of sovereigns in payment of sums due to Government, at the rate of fifteen rupees for a sovereign.

Gold coins will not for the present be made a legal tender, and consequently nobody will be compelled to receive them instead of silver rupees, unless he is willing do so.

The Government have also abandoned their intention to take power to declare sovereigns a legal tender at any rate not exceeding 1*s.* 6*d.* per rupee.

The ratio of exchange between gold and the silver rupee has not been finally settled. The making of gold legal tender, and the ratio of exchange as compared with the rupee at which gold shall be made legal tender, are matters which must be settled hereafter by legislative enactment, and in the light of future experience.

The motion was put and agreed to.

The Hon'ble Sir David Barbour said: I now introduce the Bill, and move that it be taken into consideration at once. The provisions of the Bill are extremely simple, and the only change of any importance that it is intended to effect by means of it is to provide for the stoppage of the free coinage of silver at the Indian mints.

As, however, the Bill, though so simple in itself, is intended to carry out a most important change in the Indian currency, I will explain its provisions in detail.

In the first place the Bill repeals sections 19 to 26 (both inclusive) of the Indian Coinage Act of 1870. These are the sections which provide for the coinage of all gold or silver brought to the mints by private persons. The quantity of gold brought to the mint for coinage is quite trifling, and as the gold coins now coined at the mint are not legal tender, and as they will doubtless be superseded altogether when gold is made a legal tender, it is undesirable that any more of them should be coined. This is the only change which is made in the Indian Coinage Act, 1870.

The Bill also repeals clauses (*b*) and (*d*) of section 11 of the Indian Paper Currency Act, 1882, and the proviso to that section.

Clause (*b*) refers to silver coin made under the Portuguese Convention Act of 1881; and as that Convention has come to an end, the clause is no longer required.

Clause (*d*) provides for the issue of notes by the Department of Paper Currency in exchange for silver bullion or foreign silver coin; and, if it were retained, it would permit of rupees being obtained for silver as at present.

The stoppage of the free coinage of silver at Indian mints necessarily involves the repeal of clause (*d*), and the proviso ceases to have any meaning when clause (*d*) is repealed.

In section 12 of the same Act an allusion to clause (*b*), which is now repealed, is struck out.

Section 13 of the Indian Paper Currency Act provides for a portion of the metallic reserve of the Paper Currency Department, not exceeding one-fourth, being held in the form of gold. As the standard of India will in future be gold, the limitation of one-fourth is no longer required, and so much of the section as limits the proportion of gold to one-fourth is repealed. Sections 14 and 15 of the Act are entirely repealed. They refer to bullion or foreign coin tendered under section 11, clause (*d*), or section 13, and they are no longer required, because clause (*d*) of section 11 will now be repealed, and because it is not intended for the present that private persons should be allowed to tender gold for notes under section 13.

Certain alterations are also made in sections 21 and 28, to bring these sections into accord with the Act as now proposed to be amended.

I may here mention that a notification will be issued under authority of section 13 of the Paper Currency Act, 1882, as now amended, providing for the issue of notes by the Paper Currency Department in exchange for gold, on the requisition of the Comptroller-General. The object of this notification is to enable that officer to pass gold into the Paper Currency reserve if it should accumulate to an inconvenient extent in the Government treasuries.

A notification will also be issued under executive authority, authorising the public treasuries to receive sovereigns of current weight in payment of Government dues, at the rate of fifteen rupees for one sovereign.

Another notification will be issued under the same authority, authorising the Masters of the Mints at Calcutta and Bombay to issue, under suitable conditions, silver rupees for gold at the rate of one silver rupee for 7·53344 grains Troy of fine gold. This corresponds to an exchange of 1*s.* 4*d.* per rupee.

These three notifications will be issued as soon as the Bill is passed.

Before calling on the Council to pass the Bill, it will be well that I should notice briefly some of the objections which have been taken to the introduction of a gold standard into India. These objections have been very fully discussed by the Committee of which Lord Herschell was President, and the arguments for and against the proposal to introduce a gold standard into India will be found stated at length in their report.

It has been said that the divergence in the relative value of gold and silver is due to the appreciation of gold, and not to the depreciation of silver, and if this be the case, it may fairly be argued that the introduction of a gold standard into India is wholly unjustifiable.

With regard to this argument I have a preliminary observation to make. The words appreciation and depreciation, as applied to the standard of value, are ordinarily used without a precise meaning being attached to them. They are words which I would rather not use at all, if their use could be avoided, but in answering the argument to which I have just referred I must employ them, and I wish it to be understood that, for present pur-

poses, I attach to them the somewhat indefinite meaning which is usually given to them. In other words, by appreciation or depreciation of the standard of value, I intend to denote a rise or fall in value due to causes primarily affecting the metals themselves, rather than the commodities of which the price falls or rises as the standard appreciates or depreciates. Using the terms in this sense, I have to remark that when gold and silver alter in relative value, it does not necessarily follow that the whole change is due to the appreciation of the one metal or the depreciation of the other. There may be simultaneously appreciation of one metal and depreciation of the other. Or a metal may appreciate at one time and depreciate at another. I must say that it does appear to me that there was appreciation of gold after 1873, rather than depreciation of silver. There was a greatly increased demand for gold at that time, while the production was rather falling off, and there was a very great fall in prices. These facts seem to me to point very clearly to appreciation of the gold standard, and there are other arguments leading to the same conclusion which I need not enumerate at present. On the other hand, there is equally good evidence that silver has depreciated during the last few years. Notwithstanding the fall in the price of that metal, the total production has continued to increase rapidly, and, notwithstanding the fall in exchange, the imports of silver into India are larger than before. There has also been a distinct tendency during the same time towards a rise in Indian prices, and many complaints have been heard from persons on fixed incomes.

The introduction of a gold standard at the present time may, therefore, be more correctly described as a measure intended to stop the present process of depreciation rather than as causing appreciation.

It may, of course, be argued that there is likely to be an injurious appreciation of the gold standard in the future, and here we enter on very debateable and speculative ground, and there is really no means of coming to a positive decision either one way or the other. The question appears to me to resemble those problems that certain people are so fond of putting forward, such as what will happen when all the coal in the world is used up? It is not possible to arrive at any conclusion on such questions, and from a practical point of view they possess little interest for us. If it is the case that entire store of coal will in time be exhausted, we possess no means of averting that result, and we had better leave the problem to those who will be affected by such a calamity. At present the production of gold is increasing and there appears every prospect of its continuing to increase for some years at any rate. Whether in the long run demand will outstrip supply to such an extent as to cause an injurious appreciation of the standard is one of those questions affecting the future which we have no means of deciding, and with which we need not concern ourselves.

If gold does appreciate, we shall, at any rate, be no worse off than the other nations which have adopted that standard; on the contrary, we shall be better off, for we shall have escaped any appreciation which may have occurred in the last twenty years.

Another objection is that with an overvalued rupee there will be great risk of false coining. I do not say that there will be no risk of false coining, but the experience of countries in which the silver currency has been overvalued for a number of years shows that this danger has been exaggerated. False coining on a small scale is not very profitable, and would not be productive of much mischief so long as the coins were made of good metal. False coining on a larger scale could not be carried on without the use of expensive machinery, and is practically impossible. In any case, if there is to be false coining, it will affect other countries long before it becomes common in India. The inducement to manufacture and issue false coin is the amount of profit to be made, and the amount of profit will be much greater in America, France, England, and other countries than it will be in India, because the silver coins will be overvalued to a greater extent in those countries than they will be in India.

It has also been said that if India has a gold standard, the countries which retain the silver standard will have an advantage over India in the production of commodities for export. I attach no importance to this argument so long as the Indian standard is in itself a good one. A sudden rise in exchange will injuriously affect certain industries for a time. A sudden fall in exchange may give them an undue amount of profit and supply a temporary and artificial stimulus. But the principles which regulate international trade rest on a totally different basis, and it seems to me an obvious truism that our manufactures and our commerce will advance more rapidly under a system which gives India the same standard of value as her principal customers than they could possibly do under a system which give us one standard of value and our chief customers a different one, the two standards varying in relative value from time to time in a manner which defied calculation.

There remain certain objections which appear to me to possess weight.

There is no doubt that the making of the rupee a token coin will be a source of loss and inconvenience to persons in India who possess uncoined silver, and that the adoption of a gold standard by India will injuriously affect to a greater or less degree our trade with silver-using countries beyond sea, our trade with the Native States of India, and our frontier trade with Foreign States.

The answer to these objections is that the question of the adoption of the gold standard must be decided not with reference to any one consideration, or to a limited number of considerations, but after a careful examination of all the circumstances of the case, and that we must decide where the balance of advantage lies and act accordingly. It is true that persons who hold uncoined silver will lose; but, on the other hand, the same persons generally hold rupees also, and in respect of their coined silver they will gain. If our trade with silver-using countries will be injuriously affected, our trade with gold-using countries will be beneficially affected in a corresponding degree; and the latter branch of our trade is much larger and more important than the former. It is more than probable that some of the silver-using countries with which we trade will also adopt the gold standard, and as time goes on the tendency

will certainly be in that direction if we succeed in establishing gold as the standard of India. It is also quite possible that some, or most of the Native States of India may decide to adopt a gold standard; and our land trade with foreign countries is not very important, and is subject to so many drawbacks already, that a difference of standard will be anything but an insuperable obstacle.

There is one difficulty connected with the introduction of a gold standard into India which requires special notice. When the Indian mints are closed to the free coinage of silver, the currency of India will become a token currency of unparalleled magnitude without a reserve of gold, and this currency will be liable to have additions made to it by rupees being returned to India from the various foreign countries in which they now circulate, and by rupees being transferred from the hoards in which they are now held.

Under such circumstances it may well be asked whether it will be possible for us to make the gold standard effective at once. In other words, will the rupee be worth as much as 1*s.* 4*d.* from this day forward?

To this question I cannot give a confident answer, and I do not believe that it is possible for any one to do so. I have no doubt but that rupees will be returned from foreign countries, but I do not think the amount so returned will be excessive. There is some risk of large quantities of rupees being thrown into the circulation from hoards, and I was formerly of opinion that the probability of this course being followed amounted to a serious danger. In recent years I have attached less importance to this aspect of the question. I think that the process of bringing rupees out of the hoards in which they lie would in any case be slow; that it might never take place on any considerable scale; and that the risk would be greatly lessened if the business of establishing the gold standard be so managed as to maintain confidence and prevent panic. It may be that the gold standard can be made effective from the first, though it will not be secure until there is a considerable amount of gold in our treasuries and banks. Or it may be that the making of the gold standard effective, and the establishment of it on a secure basis, will involve a long and arduous struggle and necessitate heavy sacrifices. Time alone can show which view is correct; but whatever the sacrifice and trouble of attempting to establish a gold standard may be, they must be faced, and the object we have in view is one which would, I submit, justify us in running even greater risks. Our present position is not such that we can avoid risk and loss by avoiding action, and an attempt on our part to permanently maintain a silver standard under present conditions would, in my opinion, involve peril to this country of the most serious character.

The Hon'ble Mr. Mackay said: I have had occasion to say a good deal on the Indian currency question during the past year or two, and I do not consider it necessary to say more at this time. But I cannot give an altogether silent vote on such an important Bill as that now before Your Excellency's Council.

I am completely in accord with the provisions of the Bill just introduced by the Hon'ble Sir David Barbour, and with the great-

est deference I venture to congratulate Your Excellency on having succeeded in bringing forward a measure which will have the effect not only of restoring the finances of the country to a satisfactory condition, but which will also impart to trade and commercial transactions that legitimate amount of certainty of which they have been deprived for the past twenty years. The measure at the same time relieves the country of that dread of additional and seriously disturbing taxation which has been weighing upon it for some time past. I look forward to a new era of prosperity and progress for India, and also to a great development of the resources of the country through the attraction which will now be given to British capital, and I look upon the assimilation of the English and Indian standards of value as a removal of the only barrier which has hitherto prevented India from taking her place amongst the great commercial and industrial nations of the world. It would have been well for India had the step taken by Your Excellency's Government to-day been adopted fifteen years ago. In the interval not only has the natural progress of the country been retarded, but actual and serious injury has been inflicted on many important interests. However, it is useless to look back with regret on what might have been. We are content to accept the benefit, late as it is, which is now at last being conferred upon the country, and we look forward to the future with renewed hope and confidence.

The motion was put and agreed to.

The Hon'ble Sir David Barbour said:—I now move that the Bill be passed, and in so doing I wish to add a few words, by way of caution and advice, to what I have already said. It is impossible to exaggerate the importance of the step which Her Majesty's Government and the Government of India have taken in deciding to establish a gold standard in India, but that step has been taken after the fullest discussion, and with a deep sense of the responsibility which has been incurred. It is the intention of the Government of India to carry the measure to a successful issue if it be within their power to do so, and I trust that they will receive the unswerving support of the Indian public in the course which they have adopted—a course which was adopted in the belief that it was essential to the welfare of the whole Indian community.

If it should happen, as it may, that the gold standard is effectively established in India from this day, I desire to urge that no undue elation should be exhibited, and that no precaution should be relaxed. The change of the Indian monetary standard is a measure which will have far-reaching and possibly unexpected results; and the gold standard cannot be considered to have been securely established in India until it has stood the test of time, and borne the shock of those financial storms which sometimes arise in the clearest skies. On the other hand, I would equally urge that we should not give way to alarm and despair if we should find ourselves confronted with serious and unexpected difficulties. The measure which we are engaged in carrying out has been adopted both with the full knowledge that serious difficulties might be encountered, and with the firm determination to overcome them if it be within our power to do so. The secure establishment of a gold standard in India may be a work of time, and may involve

heavy sacrifices; but what other road to safety is open to us? We all know the troubles that have been brought upon this country during the last twenty years by the difference of standard between India and England. Are we prepared to face another such period, and are our troubles likely to be less if we go back to the old state of things, after hastily abandoning the attempt to establish a gold standard?

Sometimes it appeared to me that there were persons who held the opinion that the establishment of a gold standard would be a source of endless wealth to the Government of India. I know no good foundation for that belief. I hope and believe that the establishment of a gold standard will relieve the Government of India from an ever-growing cause of expenditure, and from harassing fluctuations, and that it will promote the general welfare of the community. But the gold standard is not in itself a source of income, and it will be as necessary under a gold standard to practise the old-fashioned virtues of economy and prudence as it was under the silver standard, and the neglect to do so will involve the same consequences in both cases. I will even go further and say that economy is specially incumbent on the Government of India during the next few years. Confidence is a plant of slow growth in the financial world, and the people of India are apt to distrust anything that presents a novel appearance. If the public lose confidence in the success of our measures, the difficulties of establishing and maintaining the gold standard will be enormously increased.

There are two lines of policy by which I think it is possible to promote confidence, and I earnestly commend them to those who may be entrusted with the management of the Indian finances during the next few years. The first is to take care that each succeeding year shall close with a substantial surplus, and the second is to avoid at all hazards any increase of the home charges.

I am afraid there is not much originality in these recommendations, but they are the best which one-and-twenty years' experience of Indian finance enables me to offer.

His Excellency the President said:—I should like to say a few words before I put the motion to the Council.

We shall not, I trust, be considered open to criticism because we are disposing of this question—one of the most important which has ever come before the Legislature of this country—without going through the usual forms of our legislative procedure, and in the absence of those Additional Members of Council who do not happen to be in Simla. It will be obvious to every one that, for reasons upon which I need not dwell, the decision which has been arrived at must be carried out forthwith, and that a prolonged discussion of this Bill or even its amendment in any essential particular, would not be admissible.

We may, however, fairly contend that, if the question is being dealt with at this stage as if it were a matter of executive administration rather than one for the deliberate consideration of the Legislature, no question has ever been subjected to more thorough discussion out of doors than that with which we are concerned this

morning. No debates in Council could be so instructive or so exhaustive of the subject as the discussions which have been proceeding in the public press and at public meetings upon the currency question during the last year or two.

There is, therefore, I venture to think, no occasion for travelling again over the old ground, or for arguing at length whether it was, or was not, safe to leave this country at the mercy of a fluctuating exchange, or whether the alleged advantages accruing to certain branches of our trade under a falling exchange were, or were not, greater than the troubles and difficulties which have already overtaken us, or than those further troubles and difficulties which would have beset us had exchange been allowed to fall to a still lower level.

It was, I think, pretty well understood that the Government of India had some time ago arrived at a conclusion both as to the extent of the danger and as to the proper means of encountering it. The scheme, however, which we are laying before you does not rest upon our authority alone, and we are relieved from the necessity of justifying it, as we should have been expected to justify it, if it had been accepted by the Secretary of State merely upon our unsupported recommendation. We are in this position, that the proposal which we had laid before Her Majesty's Government a year ago is now accepted not only by them, but by a Committee of experts for whose verdict we have been waiting so impatiently during the last few months.

When the composition of that Committee is considered; when we remember how many different schools of economical science were represented upon it; when we recollect how confidently it was predicted, even up to the last moment, that its members could not possibly agree in their conclusions; the fact that they have found it possible to sign with practical unanimity the Report which will be published in to-day's *Gazette*, shows, I cannot help thinking, conclusively how strong our case was, and gives to the recommendations of the Committee a weight and a force which may be described without exaggeration as overwhelming. I feel, therefore, that I should be merely wasting the time of the Council, without contributing anything to the information which will shortly be accessible to the public, if I were to attempt to add to that which will be found within the limits of Lord Herschell's Report. I will, therefore, merely venture to call the attention of those who will read that remarkable State document to one or two of the conclusions which it has established. And here let me, in the name of the Government of India, and I hope, I may say, in the name of the people of this country, express our obligation to Lord Herschell and to his colleagues for the patience and thoroughness with which they have investigated this intricate problem, and for the thoughtfulness with which they have taken into their consideration all the different aspects of a question in which so many interests and classes are concerned.

The Report of the Committee will, in the first place, I think, render it no longer possible for any one to tell us, as we have sometimes been told, that this currency question was merely a grievance of the Indian services, or that the Government of India was in-

terested in it only because we desired to extricate ourselves from the embarrassment occasioned by the instability of our finances. The Report of the Commission has, once and for all, shown that far wider issues than these are involved—issues affecting not merely certain interests and certain classes of the community, but every interest and every class throughout the Indian Empire.

Upon the question of the effects of fluctuations in exchange upon the commerce of India, the Committee speak with no uncertain voice. They report that there seems to be a common agreement amongst those who differ in their views upon almost all other points that trade is "seriously harassed" by these fluctuations, and, after a careful examination of the arguments adduced in support of this view, they express their opinion that "it cannot be doubted that it would be well if commerce were free from the inconveniences of fluctuations which arise from a change in the relation between the standard of value in India and in countries with which her commerce is transacted." And with regard to the deterrent effect of these fluctuations upon the investment of capital in India, they observe that "there can be no doubt that uncertainty as to the interest which would be received for the investment, and as to the diminution which the invested capital might suffer if it were desired to retransfer it to this country, tends to check British investments in India." That is precisely the view which has been again and again urged with great ability by the Association over which our hon'ble colleague, Mr. Mackay, has presided, and which has done such excellent service in familiarising the country with the details of the currency question. It is a view which, as I have on more than one occasion publicly said, has always seemed to me indisputably sound, and it is satisfactory to find that this view is unreservedly accepted by Lord Herschell and his distinguished colleagues.

In another passage of the Report the Committee mention that the evidence before them points to the conclusion that during recent years the silver price of Indian produce has risen; and they add that "if, as experience shows, wages respond more slowly to the alteration in the value of the standard, this rise in the price of produce must have been prejudicial to the wage-earning classes." They sum up this part of the case in these remarkable words:

"The above facts give reasons for believing that the recent fall in silver, coupled with the open mint, has led India to import and coin more silver than she needs, and the worst of the evil is that it is a growing one. Every unnecessary ounce of silver which has been, or is being, imported into India is a loss to India so long as silver is depreciating in gold value, for it is, *ex hypothesi*, not needed for present use, and it can be parted with only at a sacrifice. So far as the open mints attract unnecessary silver to India, they are inflicting a loss upon the people of the country, and benefiting the silver-producing countries at the cost of India."

While these are the effects which have been produced by fluctuations in the rate of exchange up to the present time, the Committee leave us in no doubt that the evils which we have hitherto experienced may be as nothing compared with those still in store for us if we are content to allow matters to drift.

The Report dwells upon the large purchases of silver made by the Government of the United States under the Bland and Sherman Acts, and upon the fact that, in spite of these purchases, the price of silver has fallen to its present low level. They go on to express their opinion that, even if no change were to be made in the currency arrangements of the United States, the experience of the past would forbid the conclusion that the price of silver would be stationary at its present level. It would, they say, under these circumstances, be imprudent to act on the assumption that no further fall is possible, or even probable. It is, however, as we are all aware, a matter of notoriety that the early repeal of the Sherman Act is possible. The Committee dwell upon the heavy further fall which would certainly follow upon the repeal of the Act. They express their opinion that such a fall would not necessarily diminish the production of silver, and that under such circumstances "it cannot be regarded as otherwise than within the reasonable bounds of possibility that the repeal of the Sherman Act might lead to a fall in the price of silver of even 6*d.* per ounce or more, and that there might be no substantial reaction from the level thus reached." "It may," the Commissioners think, "be said with practical certainty that such a fall would reduce the exchange to about a shilling per rupee, and would involve the necessity of raising at least Rx 6,612,000 more than would be required by the Government of India to effect, even at the rate of exchange of 1*s.* 3*d.* per rupee, a remittance of the amount drawn last year, namely, £16,530,000 sterling, while the payment of £19,370,000 sterling which is the present estimate of the drawings for 1893-94, would, at 1*s.* 3*d* per rupee, require Rx 30,992,000, and at 1*s.* 0*d.* per rupee, Rx 38,740,000, involving an increase of Rx 7,748,000."

These are not the gloomy vaticinations of harassed and querulous Indian officials, but the deliberately expressed anticipations of such men as Mr. Leonard Courtney, so well known as Chairman of Committees of the British House of Commons, and a recent convert to bimetallism; Sir Thomas Farrer, for many years the distinguished Secretary of the Board of Trade, and an eminent Political Economist and Free Trader; and Sir Reginald Welby, the Secretary of the Treasury, an official of exceptional experience, who had, moreover, previously been a Member of the Committee which in 1878 issued an unanimous report against another proposal founded upon the closing of the Indian mints to the free coinage of silver.

With these prospects before them, the Committee find themselves face to face with that dilemma to which reference was made in the discussion upon the Financial Statement at Calcutta in March of the present year. It is recognised that the Government of India has to choose between a change in its currency arrangements and the imposition of increased taxation, which, if the figures which I have just cited are to be taken as a guide, might be of the most formidable and onerous character. The possibility of increasing our revenue by means of additional taxes is examined by the Committee in a series of paragraphs which I earnestly recommend to the attention of those who would have us leave the

currency alone and restore equilibrium between income and expenditure by means of additions to the burdens of the country.

The Committee say that they are not in a position to determine whether the apprehensions which have been expressed to them that increased taxation cannot be resorted to without grave mischief are exaggerated or not, but they add this very significant observation:

"It is not easy to see how the burden of the added taxation which would be requisite to counterbalance the fall in exchange could be made to rest on those who might with the most justice be subjected to it, or how the added revenue could be provided, except in a manner opposed to sound principles of taxation."

I think, then, that I may sum up this part of the case by saying that it has now been established almost beyond controversy that to leave matters as they were meant for the Government of India hopeless financial confusion; for the commerce of India a constant and ruinous impediment; for the taxpayers of India the prospect of heavy unpopular burdens; for the consumers of commodities a rise in the prices of the principal necessaries of life; and for the country as a whole a fatal and stunting arrestation of its development.

My Hon'ble Financial colleague has explained to the Council the precise nature of the proposals of the Committee—proposals which we have thought it our duty to accept—and wherein they differ from those which we had ourselves submitted to the Secretary of State.

The scheme of the Committee may be described as being not so much an alternative to our own as a modification of it. It is our scheme with the addition of safeguards and precautions—safeguards and precautions which appear to us to be wisely conceived. The feature which both schemes have in common is the essential feature of both; both are based on the closing of the mints to free coinage with the object of eventually introducing a gold standard into India upon terms as equitable as can be devised in the interests of all concerned and with a minimum of disturbance to the business of the country.

I may say, too, that both schemes have, for their main object, the prevention of a further fall in the value of coined silver rather than the enhancement of its value greatly beyond the present level. The difference between the Government of India and the Committee may be said to lie mainly in this, that the Committee have given more prominence than we had given to this aspect of the case. The keynote, so to speak, of the Report is to be found in the opinion recorded in paragraph 135, to the effect that "to close the mints for the purpose of rising the value of the rupee is open to much more serious objection than to do so for the purpose of preventing a further fall."

It is then mainly with the latter object that the Committee advocate putting a stop to the free coinage of silver. That is a view which will, I cannot help thinking, be generally accepted as a just and reasonable one. The step recommended by the Committee

will not produce any violent disturbance of values. It will, to use the words of Messrs. Farrer and Welby, "not materially alter the present relations between debtor and creditor, but, on the cobtrary, prevent those relations being altered in the future by a further fall."

It has also this further advantage, that it provides an automatic means whereby it will be possible to prevent the closing of the mints from leading to a sudden and violent disturbance in the rate of exchange. I refer of course to the provision that any person may hereafter bring gold to the mints and obtain for it rupees at the rate of 1*s.* 4*d.* per rupee, and that gold may be tendered in payment of Government dues at the same rate, which is equal to one sovereign for Rs. 15. I need scarcely explain that the effect of this will be that, should exchange show a tendency to rise in the open market beyond the rate originally fixed; should it, for example, rise to a ratio giving, let us say, 1*s* 4½*d.* as the equivalent of the rupee, or something less than Rs. 15 for the soveriegn, it will at once become advantageous to bring gold to the mint, and to exchange it at the full rate of one sovereign for Rs. 15. In this manner, by a self-acting process, a rise beyond the level which has been provisionally indicated, will be rendered impossible so long as that limit remains in force.

These precautions will, I hope, go far to ally the apprehensions of those who mistrust the idea of any attempt by Government to increase artificially the value of its currency. Upon the other hand, the provisional ratio which the Committee has recommended, and which may, should circumstances hereafter require it, be raised, is sufficiently high to afford the Government of India immediate and substantail relief from its most pressing difficulties. Had the ratio been fixed lower in the first instance, I do not see how it would have been possible for us to avoid adding to the taxation of the Empire.

I would venture to ask those who take exception to the enhancement of the gold value of the rupee from the rates prevalent lately to 1*s* 4*d.* upon the ground that such a fluctuation involves a disturbance of the markets, whether this small fluctuation is comparable in its importance with those to which we have had to submit during the last few years, and to which, if we were to leave matters alone, we should, no doubt, still be exposed.

I will only add for the benefit of those who may not have leisure to study the Report that there should be no mistake as to the following points:

First, although we propose to introduce a gold standard, no attempt is to be made to get rid of the silver currency to which the people of this country have been so long accustomed. The experience of other countries, as to which the Report has much to say (and there is no part of it which is better worth reading) has, the Committee tell us, shown that it has been found possible by the adoption of different systems to maintain a gold standard and a substantial parity of exchange with the gold-using countries of the world without a gold circulation, without a large stock of gold currency, and even with a silver currency not legally convertible into gold. The Committee admit with the fairness which characterises

their Report that in no one of the countries of which they have cited the example has silver been so largely and so exclusively used as in India, and there can be no doubt, that, as Sir Thomas Farrer and Sir Reginald Welby have put in their separate Report, the effect of this measure will be to give us a token currency of unparalleled magnitude. The Committee sum up this part of the case by the very reasonable observation that, although the cases of Scandinavia, Holland, Canada, the Dutch East Indies, and the countries of the Latin Union are not in all respects applicable as precedents to the case of India, the experience derived from the currencies of those countries is not without value as bearing on the questions which we have to consider.

In the second place, it will be observed that for the present an attempt will be made to fix the legal tender price for gold. In this respect also the proposals of Lord Herschell's Committee differ from ours for reasons which have been explained by the Hon'ble Financial Member.

Thirdly, it will be seen that the ratio recommended by the Committee is fixed provisionally and not permanently, and that the provisional ratio is well within the limits of recent variations.

I might say more, but I feel that I cannot add usefully to what has been already said with an authority to which I cannot pretend in the Report of the Committee. I will make one other observation only. It is true that our responsibility in this matter has been, as I said at first, to some extent, diminished by the fact that the measure before the Council has not only our support, but that of Her Majesty's Government, and that of the Members of the Herschell Committee, but we do feel, nevertheless, very deeply the gravity of the step which we are about to take. For myself, I may say that I hold very strongly that all attempts to give a fictitious value by legislation to money or commodities are upon principle to be deprecated. The less Government has to do with such enterprises, the more we can trust to the ordinary influences of demand and supply, and to the open traffic of the markets, the better for all concerned. But a time may come when inaction is no longer possible, and when a Government would be unworthy the name of a Government if it were to stand aside and leave things to take care of themselves. We believe that such a time has come in India; we believe with Lord Herschell's Committee that a further fall in the gold value of silver is probably imminent, and that such a fall would have disastrous effects for this country if we were still to allow its mints to remain open for the receipt and coinage of any quantity of a depreciated and discredited metal. We know that other countries have discarded that metal and have prospered, and we see no reason why we should be precluded from following their example. We have borne long enough with a state of things which is becoming more intolerable with every year that passes, and which, in all human probability, would have become more intolerable still. We feel that, holding these views, we should be culpable if we did not attempt to place the finances of India on a more stable basis. We admit the immense difficulty of the problem and the uncertainties by which it is surrounded, and we offer this solution not as one which is ideally perfect, but as the best which can be devised.

We are hopeful that it will afford relief not to ourselves merely or to our employés, but to the country as a whole. We are, however, far too well aware of the intricacy of the problem and of the risks attending such an experiment as that which we are about to try to take this momentous step with a light heart. In a case of this kind, the most obvious economic and scientific laws do not always prevail. You may provide for all the known factors in your calculation only to find that there are others which you have overlooked or been unable to estimate. But, in spite of these misgivings, we earnestly hope that our proposals may be fruitful of good; that the commerce of India may be relieved from an impediment which has retarded its progress; that the Government of India may be enabled to meet its obligations without adding to the burdens of the taxpayer; and that capital will flow more freely into this country without the adventitious stimulus which we have hitherto been unable to refuse. We trust, finally, that in process of time sufficient reserves of gold may be accumulated to enable us to render our gold standard effective, and thereby to complete the great change towards which we are taking the first steps to-day.

Time only can show whether all these hopes will be fulfilled or be disappointed. In the meanwhile, I earnestly trust that even those who regard this measure with most suspicion or reluctance will give us credit for having had the courage of our opinions, and for having taken the only course which seemed to us likely to relieve this country of a burden which has, we believe, seriously affected its welfare in the past, and which would, unless we had intervened, have still more seriously paralysed her energies and retarded her advance in the future.

The motion was put and agreed to.

The Council adjourned to Thursday, the 20th July, 1893.

S. HARVEY JAMES,
Secretary to the Government of India,
Legislative Department.

SIMLA :
The 26th June, 1893.

FINANCE AND COMMERCE DEPARTMENT.

NOTIFICATIONS.

ACCOUNTS AND FINANCE.

MINT.

No. 2662.

Simla, the 26th June, 1893.

The Governor-General in Council hereby announces that, until further orders, gold coins and gold bullion will be received by the Mint Masters of the Calcutta and Bombay Mints, respectively, in

exchange for Government rupees, at the rate of 7·53344 grains troy of fine gold for one rupee, on the following conditions:

(1) Such coin or bullion must be fit for coinage.

(2) The quantity tendered at one time must not be less than 50 tolas.

(3) A charge of one-fourth per mille will be made on all gold coin or bullion which is melted or cut so as to render the same fit for receipt into the mint.

(4) The Mint Master, on receipt of gold coin or bullion into the mint, shall grant to the proprietor a receipt which shall entitle him to a certificate from the Mint and Assay Master for the amount of rupees to be given in exchange for such coin or bullion payable at the General (Reserve) Treasuary, Calcutta or Bombay. Such certificates shall be payable at the General Treasury after such lapse of time from the issue thereof as the Comptroller-General may fix from time to time.

No. 2663.

In supersession of the Notification by the Government of India in the Financial Department, No. 3287, dated the 28th October, 1868, which is hereby cancelled, the Governor-General in Council is pleased to direct that, from and after the date of this Notification, sovereigns and half-sovereigns of current weight coined at any authorised Royal Mint in England or Australia shall be received in all the Treasuries of British India and its dependencies, in payment of sums due to the Government, as the equivalent of fifteen rupees and of seven rupees and eight annas, respectively.

ACCOUNTS AND FINANCE.

Paper Currency.

No. 2664.

The 26th June, 1893.

In exercise of the powers conferred by the Indian Paper Currency Act, 1882, as amended by the Indian Coinage and Paper Currency Act, 1893, and of all other powers enabling him in this behalf, the Governor-General in Council is pleased to direct that currency notes shall be issued by the Head Commissioner of Paper Currency, Calcutta, and by the Commissioner of Paper Currency, Bombay, on the requisition of the Comptroller-General, in exchange for gold coin or gold bullion, at the rate of one Government rupee for 7·53344 grains troy of fine gold. Sovereigns and half-sovereigns of current weight coined at any authorised Royal Mint in England or Australia shall be taken as the equivalent of fifteen rupees and of seven rupees and eight annas, respectively.

J. F. FINLAY,

Secretary to the Government of India.

OPINIONS OF THE PRESS.

At last the plunge has been taken, and the decisive measure of a change of the currency system towards which events have been steadily pressing the Government of this country for the last fifteen years, and which in its two-fold organisation it was so ill-adapted for dealing with, has been suddenly passed into effect—suddenly, but none too soon. When once it became known on Saturday last that the Viceroy's Legislative Council had been convened to meet on Monday, it was palpable that nothing less than the settlement of the currency question could be in view, and that being the case, it was only natural to expect that the process of carrying the decision into effect would be a summary one. Any other method of dealing with the case would have been weak and futile. Nor can it be a surprise to any one that the remedy adopted should have taken the form. The scheme for the closure of the mints to the private coinage of silver, together with the admission of gold as legal tender at a fixed ratio to the rupee, has been before the public for many a year, and fully criticised as it has been, it has emerged from the whirlpool of currency controversy at any rate far less shaken than any of the competing proposals. It is true that it involves the loss to India of an automatic system of currency, but the benefits of that system have not been so large but that we can afford to relinquish it with some equanimity, while the situation promised with every certainty that the longer this theoretical advantage was clung to the more appalling were the evils in which it would submerge the country. We have passed instead by Monday's legislation under an inconvertible monopoly standard, a phrase which has a formidable sound, and which it cannot be denied is open to formidable objections. But the best possible apology that can be made for the change is that it should have received the sanction of a body like Lord Herschell's Committee, which certainly would never have been brought to the conviction of the necessity for "tampering" with the standard, except under the clearest demonstration that the policy of leaving things alone and waiting upon events was one that was no longer possible. —*The Pioneer, June 28th,* 1893.

The issue is a clear victory for the reformers; but we are inclined to think that even the opponents of the reform will agree that no undue violence has been practised with the currency system, and that a measure which merely protects the rupee from further indefinite decline is one which even from their point of view is warranted by the present condition and future prospect of silver..... On the whole the report amply justifies the views and opinions of the leaders of the Indian Currency Association; and we cordially congratulate Mr. Mackay and his friends on the successful termination of their labours and anxieties. We hope and trust that the change which has been made will inaugurate an era of prosperity and development for the Empire.—*The Englishman, June 27th,* 1893.

Without entering at present into the question of the merits of the plan thus partially revealed, we may say that we think it

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